

2003 ANNUAL REPORT MISSOURI PUBLIC SERVICE COMMISSION



*90th Anniversary
1913-2003*

**Kelvin L. Simmons
Connie Murray
Steve Gaw
Bryan Forbis
Robert M. Clayton III
Sheila Lumpe**



Commissioners

STEVE GAW
Chair

CONNIE MURRAY

KELVIN L. SIMMONS

BRYAN FORBIS

ROBERT M. CLAYTON III

Missouri Public Service Commission

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December 2, 2003

ROBERT J. QUINN, JR.
Executive Director

WESS A. HENDERSON
Director, Utility Operations

ROBERT SCHALLENBERG
Director, Utility Services

DONNA M. PRENGER
Director, Administration

DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

The Honorable Bob Holden
Governor, State Capitol Building

Governor Holden:

The Missouri Public Service Commission continues to meet the regulatory challenges of today with energy and enthusiasm. While change is a certainty, the mission of the Public Service Commission is constant. Decisions made at the Commission must ensure that Missouri utility customers receive safe, adequate, efficient and affordable services while allowing those utility companies under our jurisdiction an opportunity to earn a reasonable return on their investment. The Commission and Staff are dedicated to fulfilling these important public interest goals.

The Commission is dedicated to providing consumer assistance. Consumers with utility questions and/or complaints are encouraged to contact the Commission at 1-800-392-4211. The PSC website at www.psc.mo.gov also contains a great deal of customer information.

The Commission continues to closely monitor natural gas prices and the effect that those prices may have on Missouri consumers. The Commission held 16 town hall meetings across the state to provide detailed information on current natural gas prices and what could be store for consumers this winter. We were joined by the Missouri Department of Natural Resources, which provided energy saving tips and weatherization program information. In addition, local agency representatives provided information regarding the federal Low Income Home Energy Assistance Program (LIHEAP).

During this fiscal year, the Commission approved an agreement involving the state's largest electric company. The PSC Staff is to be commended for its work in this case. Through their efforts as well as the efforts of all parties involved in the Staff's complaint case against AmerenUE, an agreement was fashioned which brings rate reductions to customers, a commitment regarding infrastructure investment in Missouri, customer-assistance programs funded by AmerenUE shareholders as well as a rate moratorium which provides rate stability to AmerenUE customers as well as the utility. The Commission protects the public interest not only in rate cases but also by promulgating rules relating to utility conduct. This May the Missouri Supreme Court affirmed the Commission's affiliate transactions rules which establish recordkeeping requirements and oversight that will safeguard against regulated utilities subsidizing nonregulated affiliates with ratepayer funds.

The Commission continues to be an effective advocate in Washington, D.C. representing Missouri ratepayers before the Federal Energy Regulatory Commission (FERC) and the Federal Communications Commission (FCC), saving Missourians millions of dollars. The Commission continues to provide a strong voice on federal electric issues as they relate to investment in and operation of the country's electric transmission infrastructure.

I hope you will find our report to be informative. I am pleased to submit this report to you in order that you may see, in more detail, the Commission's work for the 2003 fiscal year.

Sincerely,

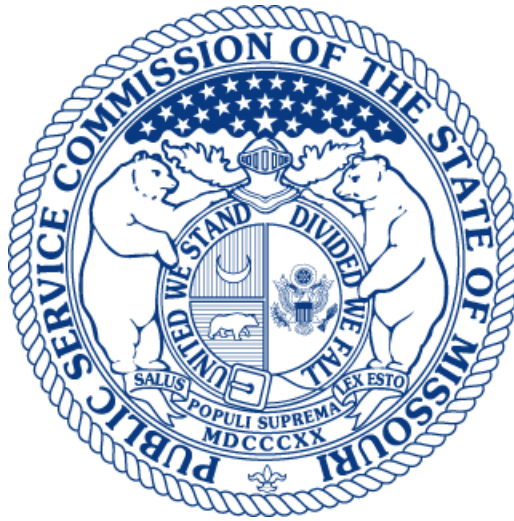

Steve Gaw

Informed Consumers, Quality Utility Services, and a Dedicated Organization for Missourians in the 21st Century

PSC MISSION STATEMENT

We will:

- ensure that Missourians receive safe and reliable utility services at just, reasonable and affordable rates;
- support economic development through either traditional rate of return regulation or competition, as required by law;
- establish standards so that competition will maintain or improve the quality of services provided to Missourians;
- provide the public the information they need to make educated utility choices;
- provide an efficient regulatory process that is responsive to all parties, and perform our duties ethically and professionally.



MISSOURI PUBLIC SERVICE COMMISSION

KELVIN L. SIMMONS, CHAIRMAN

STEVE GAW, CHAIRMAN (11/3/03)

CONNIE MURRAY, COMMISSIONER

BRYAN FORBIS, COMMISSIONER

ROBERT M. CLAYTON III, COMMISSIONER

SHEILA LUMPE, COMMISSIONER (RETIRED)



Missouri Public Service Commission offices are located in the Governor Office Building, 200 Madison Street, in Jefferson City.

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Key PSC Personnel

Kelvin Simmons, Chairman	751-0946
Connie Murray, Commissioner	751-4132
Steve Gaw, Chairman (11/03/03)	751-3243
Bryan Forbis, Commissioner	751-3233
Robert M. Clayton III, Commissioner	751-4221
Robert Quinn, Executive Director	751-2690
Toni Messina, Legislative Coordinator	751-5472
Kevin Kelly, Public Information Administrator	751-9300
Gregg Ochoa, Public Information Coordinator	522-2760

Administration Division

Donna M. Prenger, Director	751-7492
Rhonda Byers, Manager - Human Resources Department	751-7508
Todd Craig, Manager - Information Services Department	526-8153
Dan Redel, Manager - Budget and Fiscal Services Department	751-2457
Gay Fred, Manager - Consumer Services Department	751-3160
Consumer Services Toll-Free Hotline	1-800-392-4211
Rosemarie Riedl, Coordinator - Electronic Filing & Information System	751-7468
EFIS Toll-Free Help Desk	1-866-365-0924

Adjudication Division

Dale Hardy Roberts, Secretary/Chief Regulatory Law Judge	751-4256
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General Counsel

Dana K. Joyce, General Counsel	751-8705
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Utility Operations Division

Wess Henderson, Director	751-7435
Dale Johansen, Manager - Water and Sewer Department	751-7074
John Van Eschen, Manager - Telecommunications Department	751-5525
Warren Wood, Manager - Energy Department	751-2978
Ron Pleus, Manager - Manufactured Housing Department	751-7119
Manufactured Housing Toll-Free Hotline	1-800-819-3180

Utility Services Division

Robert Schallenberg, Director	751-7162
Ron Bible, Manager - Financial Analysis Department	751-8517
Joan Wandel, Manager - Auditing Department	751-4785
David Sommerer, Manager - Procurement Analysis Department	751-4356
Lisa Kremer, Manager - Engineering and Management Services Department	751-7441

PSC COMMISSIONERS

KELVIN L. SIMMONS

Chairman

Governor Mel Carnahan appointed Commissioner Kelvin L. Simmons to the Missouri Public Service Commission on May 5, 2000. On July 9, 2001, Governor Bob Holden named Simmons Chairman of the PSC. Mr. Simmons resigned as Chairman of the Commission effective November 3, 2003. In December 2003, Commissioner Simmons resigned to become Director of the Missouri Department of Economic Development.

Prior to his appointment to the Commission, Mr. Simmons was twice elected to the Kansas City Council. He represented more than 72,000 constituents in Kansas City's 5th Council District. Commissioner Simmons served on the Council from 1997 until his appointment to the PSC.

Commissioner Simmons has served as a campaign aide to Congressman Alan Wheat of Kansas City. He was the Director of Voter Registration and "Get out the Vote" for the Missouri Democratic Party's coordinated campaign Clinton/Gore '92. He was President Clinton's & Vice President Gore's Missouri political director for the 1996 presidential campaign.

Commissioner Simmons was a senior staff member to Governor Mel Carnahan, serving as the Director for Constituent Services from 1993 until 1996. Prior to his appointment Commissioner Simmons was the State Director for Equal Employment Opportunity in the Office of Administration.

Commissioner Simmons is a member of the National Association of Regulatory Utility Commissioners (NARUC). He currently serves on the Committee for Electricity and Technology and the Committee on International Relations. Commissioner Simmons currently serves as Co-Chairman of the Utilities Commission of the Homeland Security Task Force. He is also a member of the Governor's Security Council, the Energy Policy Council and the MBE/WBE Oversight Review Committee.

Mr. Simmons has two baccalaureate degrees in Communications and Interdisciplinary Studies from University of Missouri-Columbia obtained in 1986 and an Executive Masters in Business Administration

from the University of Missouri-Kansas City in 1999. Commissioner Simmons has also studied and engaged in missions of understanding internationally in Sweden, Finland, South Africa, Cuba, Hong Kong and Beijing, China. He has made utility presentations in France and Jamaica.



STEVE GAW

Chairman 11/3/2003

Commissioner Steve Gaw was appointed to the Missouri Public Service Commission in March 2001, by Governor Bob Holden. Following Senate confirmation, Gaw began serving on the Commission on April 2, 2001. On November 3, 2003, Commissioner Gaw was named Chairman by Governor Bob Holden.

Prior to his appointment, Commissioner Gaw was Speaker of the Missouri House and served as a State Representative of the 22nd District representing Randolph County as well as parts of the Missouri counties of Howard, Chariton and Boone. Gaw was first elected to the Missouri House in 1992, became Speaker in 1996 and served until January 2001.

While House Speaker, Gaw was instrumental in bringing new technology to the chamber, as the Missouri House became the first state legislative body to broadcast their proceedings live over the Internet.

As a legislator and as Speaker, Gaw was a leader on education issues requiring greater accountability in schools and more emphasis on the basics, particularly reading, in the early grades. His work on education earned him several awards including the prestigious Geyer Award, the Horace Mann Friend of Education for Legislation Award and the Distinguished Legislator Award from the Missouri Community College Association.

Commissioner Gaw graduated summa cum laude in 1978 from Truman State University with a bachelor's degree in physics. He earned a law degree from the University of Missouri-Columbia in 1981. Gaw served as Moberly city prosecutor and practiced law in Moberly with the firm of Schirmer, Suter, & Gaw.

Commissioner Gaw's term expires in 2007.



CONNIE MURRAY

Commissioner

Commissioner Connie Murray was appointed to a second term on the PSC by Governor Bob Holden on April 28, 2003. She was first appointed by Governor Mel Carnahan in May, 1997.

Commissioner Murray served as Representative of the 135th legislative district in the Missouri House of Representatives from 1991 through 1996. She was appointed House Manager of Articles of Impeachment of Missouri Secretary of State before the Missouri Supreme Court in 1994. She served on several committees, including Budget and Judiciary & Ethics. She was treasurer of Women Legislators of Missouri and a member of various national legislative organizations.

Since her appointment to the PSC, Commissioner Murray has participated in a number of state and national utility regulatory organizations. She is a member of the NARUC Committee on Water and has served on a working group of the National Drinking Water Advisory Council. She has also participated in various PSC Roundtables. She serves on the Advisory Council for the Center for Public Utilities, New Mexico State University.

Commissioner Murray earned her Bachelor of Arts degree in English literature from Loyola College in Baltimore, Maryland, where she graduated cum laude in 1975, and a juris doctorate in 1980 from the University of Maryland School of Law where she was Notes and Comments Editor of the Law Review.

Commissioner Murray's term expires in 2009.



BRYAN FORBIS

Commissioner

Bryan Forbis was appointed to the PSC on November 1, 2001 by Governor Bob Holden.

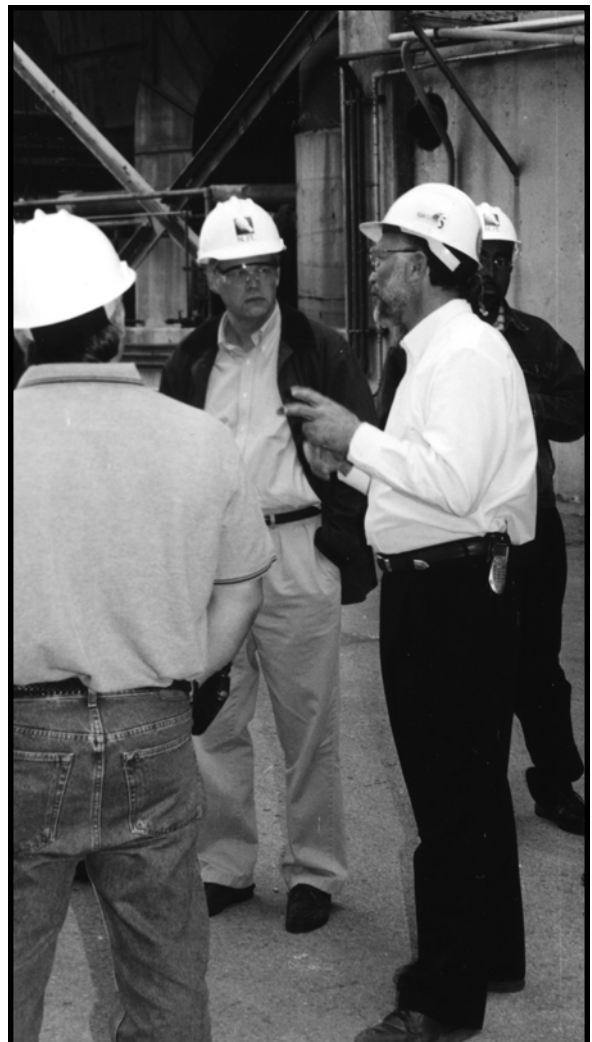
Prior to his appointment, Forbis served as deputy director for Institutional Services in the Missouri Division of Aging (now a section in the Missouri Department of Health and Senior Services). In that position, he supervised over 300 employees responsible for monitoring and enforcing state and federal regulations in 1,250 nursing and residential care facilities. From 1995 until 1999, Mr. Forbis was special assistant to the director in the Missouri Division of Aging/ Department of Social Services. He is a 20-year veteran of state government, having also served in the Department of Natural Resources and the Division of Child Support Enforcement.

Mr. Forbis graduated in 1979 from the University of Missouri-Columbia (UMC) with bachelor degrees in political science and interdisciplinary honors. In 1981, he received a master's degree in political science (public policy) from UMC.

In addition to his Commission duties, Mr. Forbis is Secretary of the Missouri Universal Service Board and is a member of the National Association of Regulatory Utility Commissioners (NARUC) where he serves on the Committee on Telecommunications.

In February 2003, Commissioner Forbis was appointed by Governor Bob Holden to serve on the Advisory Committee for 911 Oversight.

Commissioner Forbis' term expires in 2007.



ROBERT M. CLAYTON III

Commissioner

Commissioner Robert M. Clayton III was appointed by Governor Bob Holden to a six-year term on the Public Service Commission on April 28, 2003. He received Senate confirmation on May 8, 2003. Commissioner Clayton replaces Sheila Lumpe who retired.

Prior to his appointment to the PSC, Commissioner Clayton was an attorney in private law practice in Hannibal (Clayton & Curl L.L.C.). Mr. Clayton formerly served Marion and Shelby County constituents in the Missouri General Assembly as a state representative from the 10th District. He was first elected to the Missouri House in 1994 and for one term served as the youngest member of the Chamber. He served until 2002 when term limits barred him from seeking re-election.

As a state legislator, he chaired the House Ethics Committee, the Joint Committee on Legislative Research and was Vice-Chairman of the Criminal Law Committee. He also served on the following House committees—Appropriations-Transportation, Agriculture and Judiciary. While in the legislature, Clayton served on the Executive Committee of the Council of State Governments and the Southern Legislative Conference.

Commissioner Clayton is a past recipient of the President's Award from the Missouri Bar Association and the Kansas City Metropolitan Bar Association and serves as a board member for the Northeast Sheltered Workshop, the Mark Twain Home Board, Avenues Domestic Violence Shelter and the Kids In Motion Advisory Board.

Clayton received his Bachelor of Arts in History from Southern Methodist University in 1991 and earned his Juris Doctor from the University of Missouri-Kansas City in 1994.

Commissioner Clayton's term expires in 2009.



SHEILA LUMPE

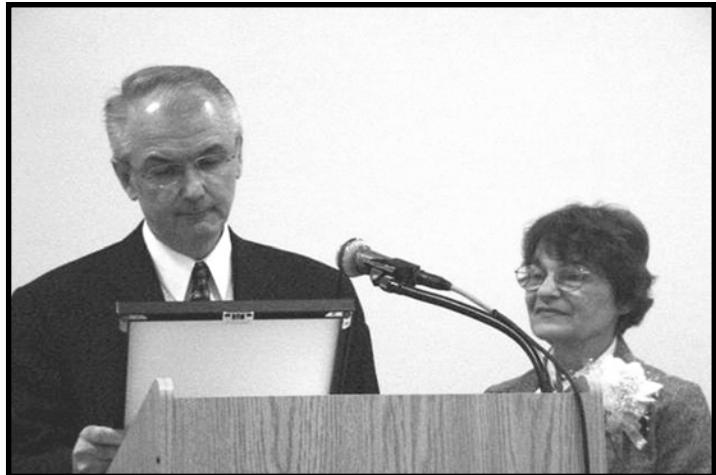
Commissioner

Sheila Lumpe was appointed to the PSC on June 5, 1997, by Governor Mel Carnahan. In August of 1997, she was named Chair of the Commission and served in that capacity until July 2001.

Prior to her appointment, Lumpe was chair of the House Budget Committee of the Missouri House of Representatives. A nine term state representative, Ms. Lumpe represented St. Louis County in the Missouri House since first elected in 1980. In addition to chair of the House Budget Committee, Ms. Lumpe also served on a number of Legislative committees including the Utilities Regulation Committee. Prior to the Legislature, Commissioner Lumpe served eight years on the University City School Board.

Lumpe graduated summa cum laude with a baccalaureate degree in government from Indiana University in 1957 and received a master's degree in political science from the University of Missouri-St. Louis in 1989.

Commissioner Lumpe retired from the PSC in April, 2003.



BUDGET

Fiscal Year 2004

Public Service Commission

Personal Service	\$ 9,435,499
Expense and Equipment	3,736,614
Program Specific Distribution (PSD)	10,000*
Total	<u>\$ 13,182,113</u>

Full-Time Employees (F.T.E.)	208
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Deaf Relay Service and Equipment Distribution Program

\$ 5,000,000

F.T.E.	0
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Manufactured Housing Dept.

Personal Service	\$ 325,436
Expense and Equipment	149,006
PSD	17,935*
Total	<u>\$ 492,377</u>

F.T.E.	9
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TOTAL BUDGET

\$ 18,674,490

F.T.E.

217

Budget includes program specific distributions.

* estimated appropriation

Organizational Functions

Executive Director

Robert Quinn, Executive Director



The Executive Director is the PSC's chief operations officer. The Executive Director is responsible for the overall administrative functions and the policy direction of the Staff. The Executive Director also serves as the primary liaison between the Commissioners and the Staff. The Executive Director also oversees the Public Information and Education Department and the PSC's Legislative Coordinator. The Public Information and Education Department develops and distributes press and consumer information on current PSC activities, develops educational pieces for distribution, maintains the PSC Reports, and deals with other media requests. The Legislative Coordinator is the PSC's primary liaison with the Missouri General Assembly and also assists with education and consumer relations activities.

Adjudication Division

Dale Hardy Roberts, Secretary/Chief Regulatory Law Judge



The Adjudication Division is the PSC's quasi-judicial Division. A staff of eight regulatory law judges handle the cases from the day the case is filed until the day it is finally resolved. New cases go to the Chief Judge who assigns them to himself or to one of the other seven judges. Thereafter, the assigned Judge presides over the hearings, rules on objections and motions, and drafts all orders, as directed by the Commission, for that particular case. The Adjudication Division's Data Center performs the functions of a Clerk of the court in that the Data Center receives all incoming pleadings and issues all Commission orders. In addition, the Data Center stores and preserves the official case files, tariffs and other official documents of the Commission.

Administration Division

Donna M. Prenger, Director



The Administration Division is responsible for managing the Commission's fiscal, personnel and information resources. This Division oversees budget development, strategic planning, budget and fiscal services, procurement, staff services, consumer services, human resources, payroll, information services and training functions for the agency. Consumer Services, with offices in Jefferson City and St. Louis, is the clearinghouse for all inquiries and complaints received by the PSC. The Consumer Services Department within the division receives, investigates, and responds to consumer complaints to ensure compliance with Commission rules and regulations and utility company tariffs. When a consumer has a utility issue that remains unsatisfactorily resolved after an initial contact with the utility company, the consumer may call the Commission's consumer hotline (1-800-392-4211) for assistance.

General Counsel

Dana K. Joyce, General Counsel



The Office of the General Counsel represents the Commission and Staff in all matters relating to Missouri utility regulation. Its duties consist of assisting and advising agency staff in preparation of evidence and the filing of legal pleadings, and making appearances and legal arguments before the Commission and state and federal courts and administrative tribunals. The Office provides legal defense of all Commission orders or decisions, and also legal advice, upon request, to the Commission and each Commissioner. As directed or authorized by the Commission, the Office intervenes in related proceedings and prosecutes actions on behalf of the state, representing the Commission in legal actions involving questions under the PSC statutes or other laws, including proceedings before the Federal Energy Regulatory Commission and the Federal Communications Commission.

Utility Operations Division

Wess Henderson, Director



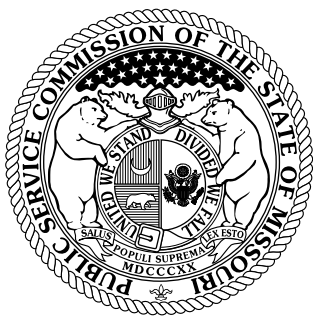
The Utility Operations Division is comprised of four departments: Telecommunications, Energy, Water and Sewer, and Manufactured Housing. It supports the Commission in meeting its statutory responsibilities by providing technical expertise in energy safety; utility rates, tariffs, rules and regulations; economic analysis; engineering oversight and investigations; and construction inspections. The Manufactured Housing Department is governed by Sections 700.010-700.115 of the Revised Statutes of Missouri. The department is responsible for overseeing the annual registration of dealers and manufacturers of manufactured homes and modular units; prescribing and enforcing uniform construction standards by conducting code inspections; and enforcing tie-down requirements. The division accomplishes its mission by making recommendations to the Commission in the form of expert testimony and formal recommendations.

Utility Services Division

Robert Schallenberg, Director



The Utility Services Division consists of five departments that support the Commission by providing expertise in the areas of utility accounting, auditing, engineering, finance, management, and natural gas procurement. Division members perform audits, examinations, analysis, and/or reviews of the books and records of the utilities providing service in Missouri. These employees express their conclusions and findings in the form of expert testimony and recommendations filed with the Commission. The Division is also responsible for investigating and responding to consumer complaints and making recommendations to the Commission regarding their resolution.



Mission

The Missouri Public Service Commission (PSC) regulates investor-owned public utilities operating in Missouri. The PSC has the statutory responsibility for ensuring that customers receive adequate amounts of safely delivered and reasonably priced utility services at rates that will provide the companies' shareholders with the opportunity to earn a reasonable return on their investment. The PSC must balance a variety of often competing private interests to ensure the overall public interest.

Jurisdiction and Goals

The Missouri Public Service Commission was created in 1913 by the Public Service Commission Law, now Chapter 386 of the Missouri Revised Statutes. Today, the PSC regulates over 1,000 investor-owned electric, natural gas, telephone, and water and sewer utilities. In addition, the PSC regulates the state's 46 rural electric cooperatives and 42 municipally-owned natural gas utilities for operational safety. The PSC also regulates the manufacturers and dealers of manufactured and modular homes.

The PSC also oversees service territory issues involving investor-owned electric utilities, rural electric cooperatives and municipally-owned electric utilities as well as investor-owned water and sewer utilities and public water supply districts. Under federal law, the PSC acts as a mediator and arbitrator of local telephone service disputes regarding interconnection agreements.

Virtually every Missouri citizen receives some form of utility service from an investor-owned public utility company. Utility services and infrastructure are essential to the economy of Missouri. They provide heating and cooling during extreme temperatures. They offer access to emergency services and vital information systems. They provide safe drinking water and assure the environmentally sound disposal of wastewater. Because utilities fulfill these essential needs, the PSC must assure the ratepaying public that quality services



PSC Commissioners meet twice weekly in agenda sessions--open to the public--to discuss, consider evidence and vote on pending utility cases.

will be available on a nondiscriminatory basis at just and reasonable rates.

Commissioners

The PSC consists of five commissioners who are appointed by the Governor with the advice and consent of the Missouri Senate. The Governor designates one member as the Chair who serves in that capacity at the pleasure of the Governor.

Commissioners are appointed to six-year terms. These terms are staggered so that no more than two terms expire in any given year.

The PSC is both quasi-judicial and quasi-legislative. The PSC is responsible for deciding cases brought before it and for the promulgation of administrative rules and their enforcement. Many of the PSC's duties are performed by conducting hearings in contested cases, which by statute must be transcribed by a court reporter. Hearings are conducted in a trial-

like setting using evidentiary standards under the Missouri Administrative Procedures Act. The PSC must render decisions in a timely manner to afford all parties procedural and substantive due process, and comply with statutory time limits.

Legislation enacted in 2003 provides, for the first time, statutory authority for independent advisors who report directly to commissioners and assist them with contested cases. The new law requires the Commission to hire up to six individuals with expertise in accounting, economics, finance, engineering, utility operations, legal or public policy issues. The law also allows each commissioner to hire a similarly qualified personal advisor who serves at each commissioner's pleasure.

The PSC Staff

The Commission is assisted by a staff of professionals in the fields of accounting, consumer affairs, economics, engineering, finance, law and management. Duties range from helping individual consumers with complaints to investigating multi-million dollar utility rate requests.

The Staff participates as a party in all cases before the PSC. It conducts audits of the books and records of utilities and makes recommendations to the PSC as to what type of rate increase, if any, should be granted. PSC Staff recommendations, like those filed by other parties to a proceeding, are evaluated by the Commissioners in reaching a decision in a complaint case or rate case. The PSC has established standards for safety and quality of service to which companies must adhere. Routine and special investigations of utilities are conducted by the PSC Staff to ensure compliance.

Utility-Related Legislation

In 2003, the General Assembly enacted and the Governor signed new legislation relating to utilities (SS/SCS/HB 208). The following is a summary of that legislation.

- An aluminum smelter owned by Noranda Corporation and located in New Madrid has the right to purchase electricity from any supplier with no PSC jurisdiction.
- Allows municipal systems to purchase electricity and ancillary services.

- Provides an independent technical advisor pool and individual advisors for Commissioners, if hired by July 1, 2005 as specified in the bill.

- Clarifies appropriate communications with Commissioners in contested cases and at other times.

- Restricts an investor-owned utility company's HVAC service territory, when using its own employees or through an affiliated entity, to the geographic area where it actually supplied service on a regular basis before August 28, 1993.

- Authorizes telecommunications companies to offer customers term agreements of up to five years and "winback" discounts and special pricing to any new and former customers.

- Repeals PSC jurisdiction over Citizens Electric Corporation.

- Assures that school districts joining together to buy natural gas are not responsible for pipeline capacity charges for longer than is required of large industrial customers or commercial basic transportation customers and requires the Commission to treat a gas company's pipeline capacity costs the same for all three customer groups.

- Authorizes infrastructure recovery surcharges for all PSC-regulated natural gas companies and for Missouri-American Water Company's St. Louis County customers.

- Allows steam companies to use PSC small rate case process.

PSC receives national award

In ceremonies held in Washington, D.C. in October 2002, FileNet Corporation honored the Missouri Public Service Commission with its prestigious Chief Technology Officer Award. The Commission's Electronic Filing and Information System (EFIS) received the top honor for best and most innovative solutions using FileNet products.

The Commission was selected over 950 other United States companies as well as companies representing 25 other countries.

According to FileNet, the Commission's EFIS project is the largest web-based business management portal in the United States. At the time the award was presented, the Missouri Public Service Commission was the first regulatory commission in the country to provide this comprehensive electronic filing application process.

PUBLIC SERVICE COMMISSION

In FY2003, more than 28,000 transactions were made in EFIS:

- 557 new cases entered into EFIS
- 7,125 case-related filings were made in EFIS
- 14,033 consumer quality/complaint related filings were made
- 2,566 registration-related submissions

Governor Office Building takes energy from the sun

In October 2002, the Missouri Public Service Commission, the Missouri Department of Natural Resources, the Missouri Office of Administration and AmerenUE announced a joint effort which resulted in the installation and use of a photovoltaic array on the roof of the Governor Office Building. This photovoltaic array converts sunlight into electricity. PSC offices are located in the Governor Office Building in Jefferson City.

In bright sunlight, this array will produce approximately 2,100 watts of power (2,100 watts of power can also run: twenty-one 100 watt light bulbs; one 1,500 watt hair dryer and six 100 watt light bulbs; or five desktop computers with monitors). In one year, this photovoltaic array is capable of producing 3,750 kilowatt hours of electricity which is about one-third the average annual household electricity use in Missouri.

The photovoltaic array is connected to AmerenUE's grid through an inverter which provides the necessary safety, reliability and performance.

PSC hosts utility regulation delegation from Jamaica

A delegation of utility experts from the Office of Utilities Regulation of Jamaica were guests of the Missouri Public Service Commission in May as part of an energy partnership program administered through the United States Energy Association and funded by the United States Agency for International Development.

The Missouri Public Service Commission, along with the Rhode Island Public Utilities Commission, signed a memorandum of understanding to participate



J. Paul Morgan, director general of the Jamaica Office of Utilities Regulation, talks with PSC Commissioners and Staff.

in a one-year energy partnership program with the Office of Utilities Regulation of Jamaica.

This is the first time the Missouri Public Service Commission has been involved in this international energy partnership program.

The seven-member delegation from Jamaica received an overview of the Missouri Public Service Commission, its structure, its management of the regulatory process and the role the Public Service Commission plays in Missouri.

The Commission also provided information regarding the PSC's state-of-the-art electronic filing system comparing it with technology systems being considered by the Office of Utilities Regulation of Jamaica.

The Energy Partnership Program is designed to transfer experience and information from United States utilities and regulatory agencies to overseas utilities and regulatory agencies in an effective and efficient manner, and to foster a long-term sustainable relationship between the partners.

PSC Chairman receives Governor's Torch of Excellence Award

Chairman Kelvin Simmons received the Governor's Torch of Excellence Leadership Award on April 28, 2003, for innovative policies and procedures implemented by the Public Service Commission.

Under the Chairman's direction, the Missouri Public Service Commission has recognized the importance of diversity as demonstrated by its specific articulation and inclusion as one of the agency's fundamental values. The PSC has provided diversity training to its staff on a regular basis, as well as included advertising in minority publications in its recruitment procedures. All new PSC employees receive "baseline" diversity training within two weeks of being hired at the Commission.

As part of its overall commitment to diversity, the Commission has also encouraged its employees to solicit bids from minority vendors during the competitive bid process.

State guidelines exist for state agencies regarding the awarding of contracts (or purchases) to minority and women-owned businesses. The Missouri Public Service Commission has continually exceeded those goals.

In FY 03, 31.3 percent of Commission purchases were from minority-owned businesses, and 9.9 percent from women-owned businesses, for a total of 41.2 percent minority purchases.

PSC Diversity Initiative

The Commission submitted a decision item in its FY 03 budget request for two additional FTE to support a Diversity Initiative. Organizational changes and internal FTE redirection provided the PSC with sufficient core funding so only the two FTE were needed.

With two additional FTE approved by the legislature, the Commission now has the flexibility to partner with local colleges and universities (for example, Lincoln University and the University of Missouri-Columbia) to recruit minority students interested in work-study, or paid or unpaid internships with the Commission. Three students have been hired since the program's inception.

It is the Commission's goal to retain the minority college students by offering them promotional and career progression opportunities within the PSC upon



PSC chairman Kelvin Simmons was presented the Torch of Excellence Award by Gov. Bob Holden. Also, pictured is Jackie White, Commissioner of Administration.

graduation from college. With a more diverse workforce, the Commission can seek out its employees' viewpoints in order to better understand differences in culture, languages, problems, and the priorities of Missouri citizens served by the PSC.

Missouri receives high ranking in broadband deployment

Missouri ranked third behind only Michigan and Florida in those states that encourage the deployment of broadband networks in the United States according to a state broadband index released in July 2003, by The Technology Network.

According to a news release issued on the state-by-state ranking, TechNet based its rankings on the key role that states can play in making broadband technology available to Americans. The release noted that the report ranked the top 25 states, in part, on the extent to which their public policies spur or impede broadband deployment and demand.

The Technology Network is a national network of more than 200 CEOs and senior executives in high technology and biotechnology industries.

Public Information and Education Department

The Public Information and Education Department provides educational materials to consumers and information on utility regulation to members of the news media.

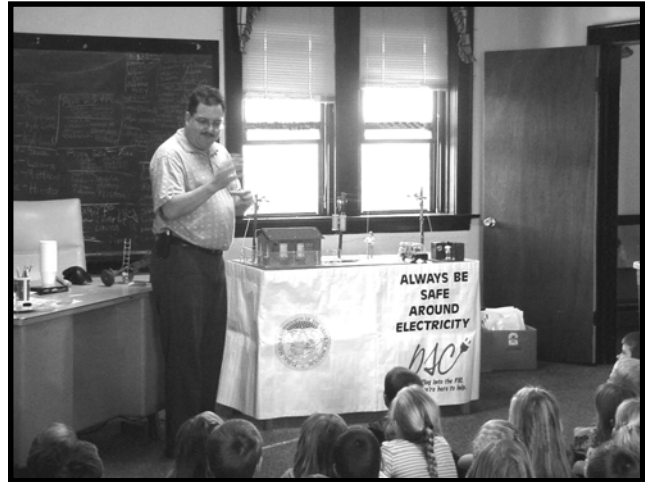
As part of its function, the Public Information and Education Department issues press releases on Commission decisions and provides detailed information sheets that are used at local public hearings conducted throughout Missouri.

During the past fiscal year, the Public Information and Education Department expanded its catalog of consumer fact sheets designed to provide information to ratepayers. The department began its second year of publishing a quarterly newsletter that provides utility-related information pieces for consumers.

The department also worked with the Information Services staff to redesign the PSC website to make information easier to access. An “i” icon was added to the PSC website. This provides quick links to consumer-related information.

Once again, the department provided key support during local public hearings. As part of that local public hearing process, the department facilitates an open question-and-answer session prior to the actual local public hearing to give consumers the opportunity to ask questions about a rate case before the Commission.

The Public Information and Education Department also operates a list service, which allows the media and consumers to get press releases and other consumer information electronically as soon as the Commission issues it.



Public Information Coordinator Gregg Ochoa shows elementary school students electric safety as part of a classroom demonstration.

Each year, the Public Information and Education Department coordinates the Public Service Commission booth at the Missouri State Fair in Sedalia. This PSC fair booth gives consumers from across the state an opportunity to speak one-on-one with PSC Staff about any utility questions and/or problems.

As part of its public awareness program, the Public Information and Education Department visited local schools, talking to students about how to be safe around electricity.

The Public Information and Education Department also coordinated 16 town hall meetings around the state to educate consumers about the potential for higher natural gas prices this winter.

Practice Before the Commission

The Adjudication Division is comprised of the Data Center (formerly known as the Records Department) and the Regulatory Law Judges. The Division Director is both the Secretary of the PSC and the Chief Judge. The Secretary is statutorily responsible for the records of the PSC and is specifically called upon to superintend the issuance of all PSC orders.

The Data Center is responsible for maintaining a complete and accurate record of every case which comes before the PSC. This department receives thousands of documents per month, each one of which must be reviewed, distributed and maintained in the permanent case file. The Data Center also issues hundreds of formal orders each month.

The Chief Judge is the Division Director of the Adjudication Division and acts as the Chief Judge of the eight-judge panel. The Judges receive training at the National Judicial College for procedural skills specific to the PSC and also at various utility seminars and conferences for substantive training in the disciplines of economics, accounting and engineering as they relate to the regulated utilities. The Chief Judge assigns newly filed cases to the other Judges on a rotational basis and, thereafter, the individual judge is responsible for supervising that particular case and coordinating the procedures with the Commissioners.

The Judge prepares and issues preliminary orders to provide notice and procedural due process so that all parties have the opportunity for a full, fair and informative hearing. The primary concern for the Judge is to ensure a complete and competent record is compiled upon which the PSC may base its decision. It is the duty of the Judge to take the case from initial assignment all the way through to the post hearing briefs and preparation of a final order reflecting the Commission's findings of fact and conclusions of law.



Evidentiary hearings are part of the ratemaking process.

Mediation Process

The Adjudication Division has developed a mediation process whereby parties may refer complaint cases to a third-party neutral mediator. This service is offered, at no cost, by the Alternative Dispute Resolution Center at the University of Missouri-Columbia School of Law.

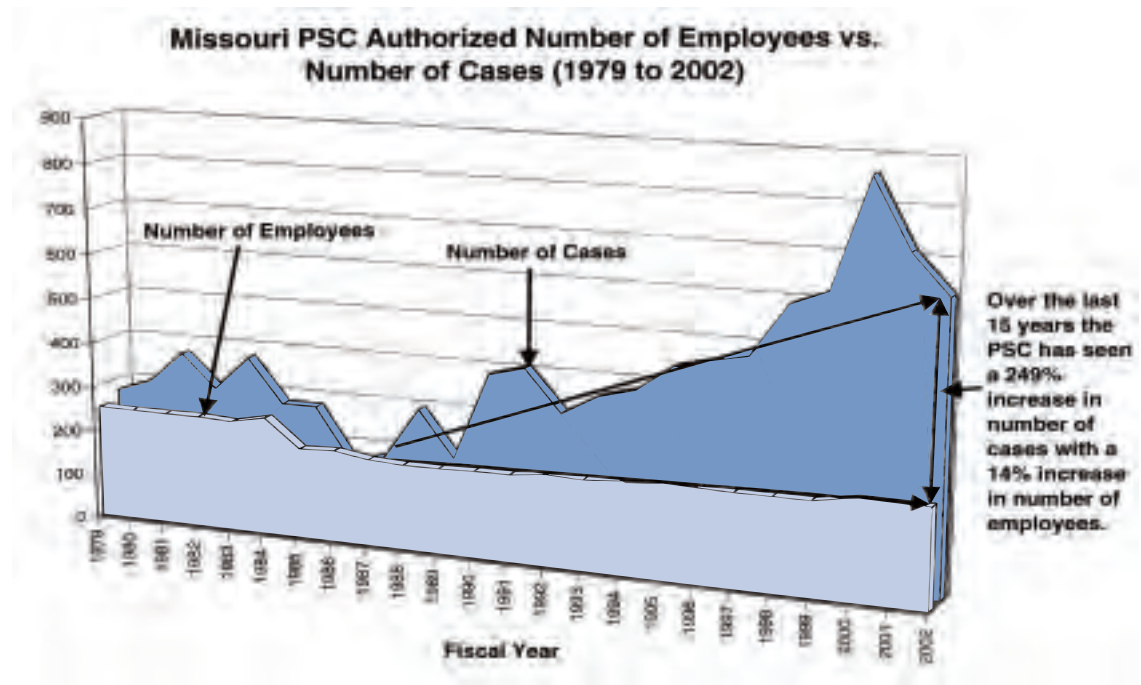
The mediation process is voluntary, and cases are resolved when both parties come to a mutual agreement. This process does not require legal counsel and should be less expensive, less adversarial, less formal, less time-consuming and more personal than a formal evidentiary hearing before the full PSC.

Mediations are confidential and settlement offers as well as other disclosures made during a mediation session are not admissible at a later hearing or trial.

Utility Issues

Change continues to occur in utility industries, and with that change, the workload of the Missouri Public Service Commission grows as the PSC evaluates and implements these changes.

New state and federal legislation as well as federal agency activity and the changing regulatory environment have required, and will continue to require, a large commitment of resources in order for the PSC to stay current on developments and to influence state and national policy to the benefit of Missouri ratepayers.



ELECTRIC

AmerenUE Rate Reduction

In April 2003, AmerenUE electric customers saw their electric bills drop under the second year of an agreement reached in a PSC Staff complaint case in 2002. Effective April 1, 2003 annual electric revenues dropped by \$30 million.

Under an agreement approved by the Commission on July 25, 2002, AmerenUE made rate reductions in April of 2002 and April of 2003 and will again reduce rates in April of 2004. The electric rate reduction in April of 2002 was approximately \$50 million. It was followed by a one-time bill credit of approximately \$40 million which customers saw in their fall 2002 electric bills. The agreement also calls for a rate moratorium through June 30, 2006. Unless there is a

significant, unusual event that has a major impact on AmerenUE, the company will not file for a rate increase and parties will not file for a rate decrease before January 1, 2006.

Under the agreement, AmerenUE shareholders will fund, over a four year period, various customer-assistance programs (such as “Dollar More Clean Slate” and “Dollar More”).

In addition, AmerenUE agreed to commit to undertake commercially reasonable efforts to make energy infrastructure investments totaling \$2.25 billion to \$2.75 billion from January 2002 through June 30, 2006. This investment will include additional generating capacity as well as transmission system upgrades.

Collaborative Results in Low-Income Programs

AmerenUE, Commission Staff, Department of Natural Resources and other parties formed a collaborative and initiated a low-income weatherization program as a part of the agreement reached in a PSC Staff complaint case in 2002. Through this program, community action agencies will be able to weatherize a significantly greater number of homes than would be possible without the program.

Missouri Electric Rates

Electric rates for Missouri's residential, commercial and industrial customers continue to be among the lowest in the nation. Through the efforts of the Missouri Public Service Commission, Missouri's electric utilities and various parties that have participated in proceedings before the Commission, all classes of Missouri customers have benefited from low electric rates while receiving safe and reliable service.

The United States Energy Information Administration, a non-partisan office in the federal Department of Energy, annually ranks states according to their average rates in cents per kilowatt-hour. In 2002, Missouri electric rates for residential, commercial and industrial customers were better than the national average. (Please see tables on this page)

Decommissioning Cases

The Commission approved agreements during fiscal year 2003 which addressed the decommissioning cost estimate and funding level of AmerenUE's nuclear decommissioning trust fund for its Callaway plant and Kansas City Power & Light's Wolf Creek plant.

As part of rate case decisions in the 1980s, the Commission required Kansas City Power & Light and AmerenUE to establish external funds for the decommissioning money collected (in customer rates) over the life of the plant. The external fund is administered through a trustee. The funds accumulated in the trust are invested by the trustee and are unavailable for company use until the plant is decommissioned.

In agreements approved by the Commission during FY 2003, it stated that even though the cost to decommission the plants had increased, the current contribution from ratepayers is adequate and current electric rates should not change.

RESIDENTIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	14.62	1
Maine	13.62	2
New York	12.78	3
California	12.25	5
Illinois	7.94	21
Iowa	7.86	22
U.S. Avg.	8.19	
Kansas	7.15	31
Arkansas	7.08	32
Missouri	6.37	44
Oklahoma	6.09	48
Nebraska	5.98	49
N. Dakota	5.9	50
Kentucky	5.48	51

COMMERCIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	13.25	1
Maine	11.73	2
California	11.4	3
Alaska	10.27	6
Illinois	7.89	14
U.S. Avg.	7.63	
Washington	6.21	32
Iowa	6.18	33
S. Dakota	6.18	34
Kansas	6.03	36
Arkansas	5.83	39
Missouri	5.32	48
Kentucky	5.27	49
Nebraska	5.24	50
Oklahoma	4.88	51

INDUSTRIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	10.02	1
New Hampshire	8.66	2
Vermont	8.02	3
California	7.84	4
Illinois	5.21	14
U.S. Avg.	4.75	
Kansas	4.51	21
Arkansas	4.15	33
Missouri	4.03	38
Nebraska	3.89	40
Iowa	3.78	44
Wyoming	3.51	49
Oklahoma	3.49	50
Kentucky	2.83	51

Source: US Energy Information Administration - 2002 data

Missouri PSC rules and regulations require review of the trust fund accruals every three years to ensure adequate funding for the decommissioning of the power plants.

Empire District Electric Company Rate Cases

The electric bills for Empire District Electric Company (Empire) customers were reduced as a result of an agreement approved by the Commission in November 2002. The overall reduction reflected an \$11 million increase in permanent electric revenues for Empire. But, due to the elimination of an interim energy charge that customers had been paying since September 2001, customer bills actually declined.

The agreement also included a rate moratorium through September 1, 2003 and the creation of an experimental program to assist low-income customers. Funding for the program will come through customer rates and matching dollar-for-dollar funding from Empire.



Tornadoes ripped through Southwest Missouri in May 2003, leaving as many as 82,000 customers without power.

Tornadoes

Several parts of Missouri were hit with devastating tornadoes in early May 2003. As many as 82,000 customers of utilities under PSC jurisdiction were without electric power as a result of the severe storms. Empire District Electric Company and Aquila experienced significant damage to their facilities. Empire estimated over 1,000 distribution poles and 170 transmission poles were down and several substations were severely damaged due to the tornadoes. People in several towns in southwest and western Missouri

were without telephone service, had no electricity, and in some cases, were without drinking water.

Southwestern Bell Telephone Company and ALLTEL Missouri Incorporated filed emergency tariffs with the Commission to waive the installation charge as well as the monthly charge for various call forwarding services. This allowed customers affected by the tornadoes to arrange for calls to be forwarded to another number or an answering service, without incurring an installation fee or charge. The Commission acted in an expedited fashion approving the tariffs to help tornado victims.

Transmission Line Expansions

The Commission saw several requests for transmission line expansion in Missouri in the 2003 fiscal year. Kansas City Power and Light Company, Aquila and AmerenUE all filed applications regarding transmission line expansion.

The Commission held hearings in October 2002 regarding AmerenUE's request to construct and maintain an electric transmission line in central Missouri. After a thorough review of the evidence in the case, the Commission approved the application in August 2003, after determining the proposed transmission line was necessary to provide reliable electric service and help relieve overloaded conditions on the current Bland-Franks Line.

Electric Roundtable Meetings

The Commission and its Staff conducted several roundtable meetings with the electric industry. A roundtable meeting discussing demand response programs and industry mergers was held in August 2002. The Commission and Staff received input on its current cold weather rule and a possible hot weather rule at a November 2002 roundtable meeting. In January 2003 another roundtable meeting was held to learn about and discuss the fixed bill concept. Representatives from the electric industry, including city municipal government representatives and rural electric cooperatives, spent a day with the Commission and Staff in April 2003 discussing the Federal Energy Regulatory Commission's (FERC) proposed plans for wholesale market design. Another roundtable was also held with all of the industries regulated by the Commission to discuss service standards and possible posting of this information on a website.

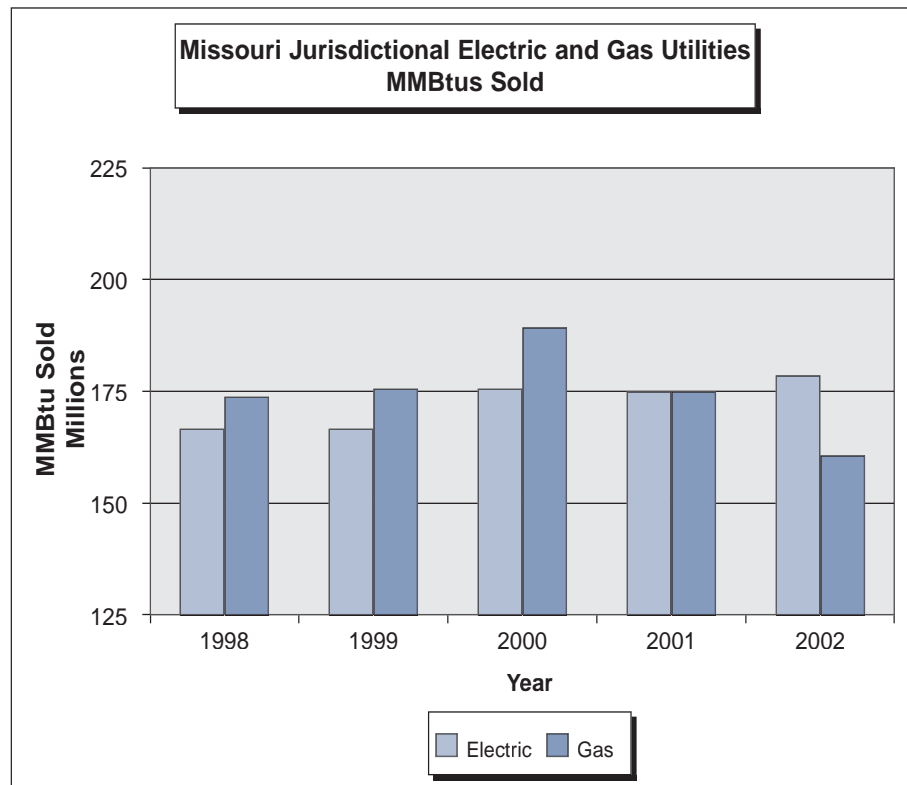
2003 Legislative Session

The Governor signed HB 208 following the legislative session, which resulted in some changes for the electric industry in Missouri. As a result of the legislation, Citizens Electric Cooperative is no longer under PSC jurisdiction. This same bill gave regulated steam heating companies the option of using an abbreviated rate case process. The bill also allowed a single large industrial customer in southeast Missouri to receive service from a provider of their choice.

Federal Activity in Electricity

In 2003 the Organization of MISO States (OMS) was formed. OMS is an organization of the 16 state regulatory commissions with jurisdictional electric utilities involved with the Midwest Independent Transmission System Operator (Midwest ISO), a Regional Transmission Organization (RTO) approved by the Federal Energy Regulatory Commission (FERC) to oversee the planning and operation of the transmission grid throughout much of the Midwest. Missouri Commissioner Steve Gaw was elected Secretary of the OMS.

The proposed merger between the Midwest ISO and the Southwest Power Pool (SPP), a regional reliability organization, did not take place, and the SPP is in the process of applying to the FERC for RTO status. AmerenUE and Aquila have applied with the PSC to participate in the Midwest ISO, and if the SPP's application is approved by the FERC, it appears likely that Kansas City Power & Light Company and Empire District Electric Company will apply with the Commission to participate in the SPP RTO. If these applications are approved, issues regarding "seams" between these two RTOs will be

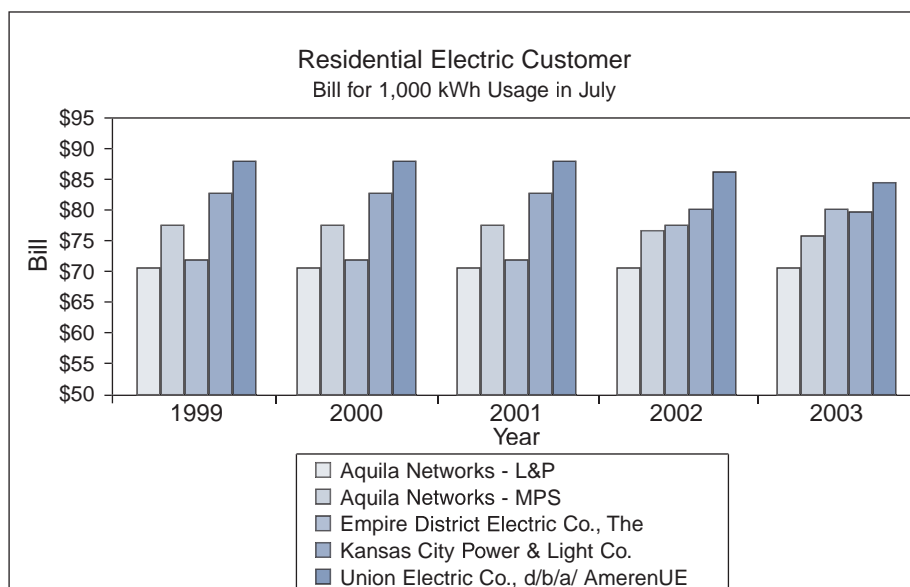
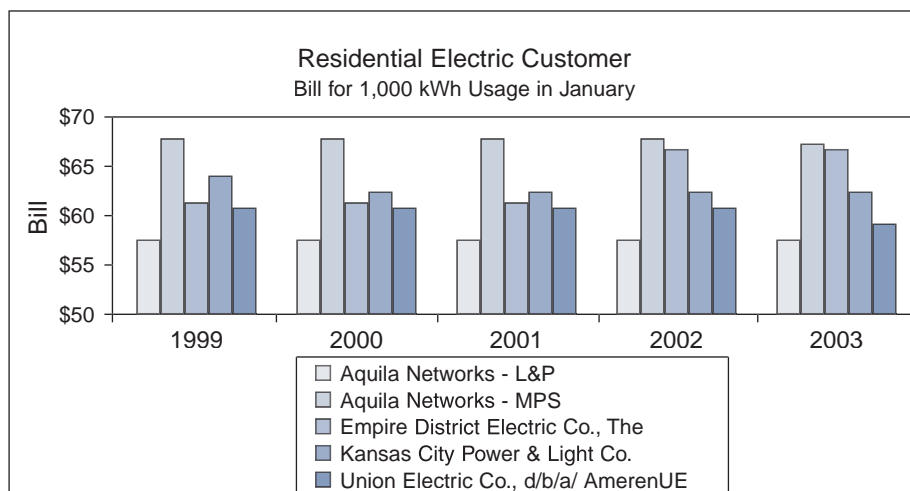


important to Missouri. The Midwest ISO includes areas in the upper Midwest, as far west as Wyoming to as far east as eastern Ohio. The SPP region includes a portion of Texas, Oklahoma, Kansas, western Missouri, and portions of Arkansas, Louisiana, and New Mexico.

In April of 2003, the FERC issued a White Paper on what it calls "Wholesale Market Platform." It appears that the primary purpose of FERC's White Paper was to change several of the positions it had set out in its July 31, 2002 Notice of Proposed Rulemaking on Standard Market Design. A critical change for the PSC regards FERC not seeking to set the price of the transmission component for bundled (state regulated) retail service. In addition, the FERC more fully delineated the role of state regulatory commissions in what it calls Regional State Committees (RSCs). In general, RSCs are voluntary formations of state regulatory commissions, such as the OMS, that the FERC will defer to, in part, for consideration of certain issues such as the impact on state regulated utilities of moving from existing physical transmission rights with curtailments of transmission service to alternative, market-based, forms of congestion management of the transmission system.

The Commission's chief economist, Mike Proctor, was elected chairman of the OMS working group with oversight for the allocation of Financial Transmission Rights, the Midwest ISO's proposed method for hedging against congestion costs associated with its market-based congestion management system. This new market system is scheduled for initial operation on March 31, 2004, with market trials beginning in November 2003. This new market structure will have a major impact on the operation of wholesale electricity markets, and could also affect the costs of providing service to bundled retail customers in Missouri.

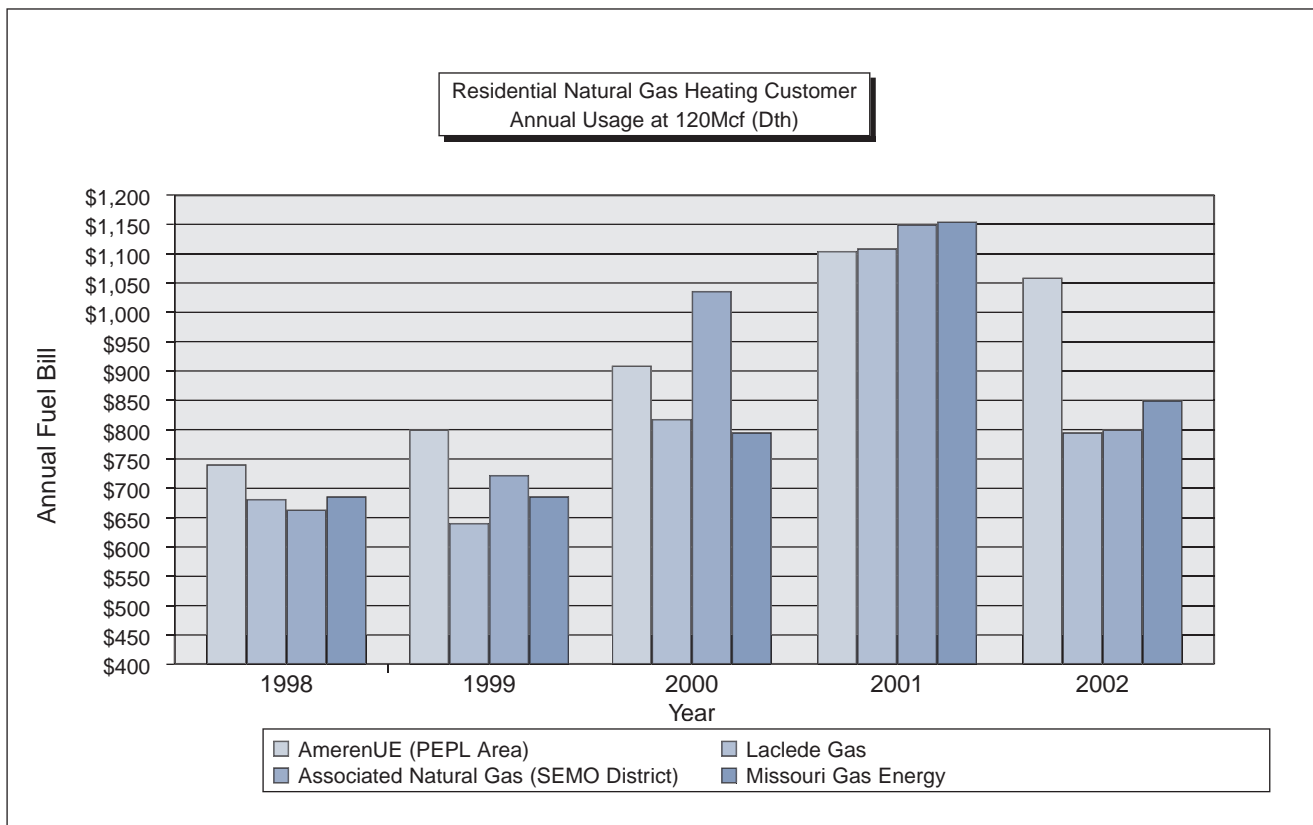
As RTOs take a more dominate role in regional transmission planning, the RSCs will decide how transmission expansions and upgrades will be funded and who will pay for these new investments in needed transmission infrastructure. Associated with transmission upgrades is the recent FERC rulemaking on processes and funding for upgrades to the transmission system that are required when a new generation source is interconnected to the transmission grid. These standards apply to all utilities that are under the jurisdiction of the FERC, and are meant to prevent utilities from using interconnection costs as a barrier to prevent Independent Power Producers from locating within the utilities' service areas.



NATURAL GAS

Consumer Alert for the Upcoming Heating Season

The Commission issued an alert to consumers in March of 2003, which indicated that the winter of 2003-04 could see a significant rise in the price of natural gas. The Commission informed the public that



it had recently noted a number of factors that gave rise to concern regarding natural gas prices for the 2003-04 winter heating season.

A few of the reasons noted were lower rig counts, additional gas fired electric generation, and the record low storage levels for the upcoming winter heating season. These factors could lead to a possible increase in natural gas prices.

In August and September, the Commission held a number of local town hall meetings to address: the severity and possibility of higher natural gas prices for the 2003-04 winter heating season; to provide information on weatherization and energy saving tips; and to give information on LIHEAP and various energy assistance funding programs. The Commission held its first town hall meeting in Hannibal on August 18, 2003. This was the first of 16 town hall meetings held in 12 different communities throughout the state. The Commission suggested that natural gas customers should watch for further information on natural gas prices and consider taking the following steps before winter to help control their consumption of natural gas:

- Call your local natural gas company and ask about energy saving tips and programs.

- Add attic insulation, if necessary. Heat rises and without adequate home insulation that heat will quickly leak outdoors into the atmosphere. Some customers may be eligible for weatherization assistance.

- Place weather-stripping around doors, use plastic film covering and caulk windows to keep heat from escaping from your home.

- Clean or replace furnace filters as needed.

- Place an approved insulated cover/jacket around your hot water heater. Set your water heater temperature to 120 degrees.

- Call your local natural gas company to discuss enrolling in an average or budget-billing plan. These plans allow consumers to spread annual energy costs over a 12-month period.

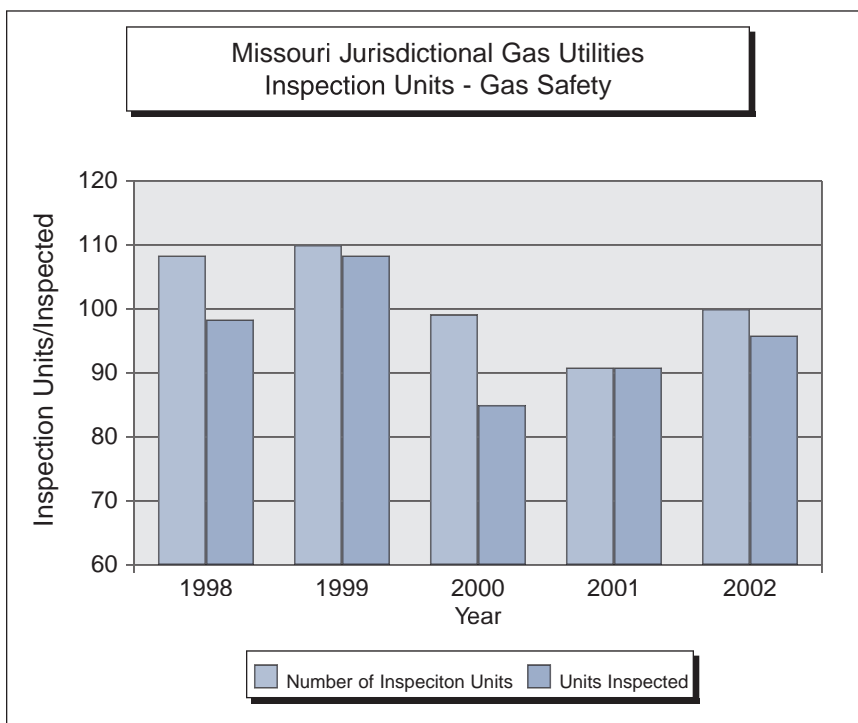
- Use caution with gas-fired appliances. Get professional help for any projects that are beyond your personal capabilities.

School Aggregation Tariffs

During the 2002 legislative session, HB 1402 was passed by the legislature and signed by Governor Holden. This bill, in part, established rules regarding the initiation of aggregation and transportation of natural gas for public school districts. Upon the signing of the bill into law, Commission regulated natural gas utilities were required to file experimental tariffs by August 1, 2002 which would allow public school districts the opportunity to aggregate and transport natural gas for a period beginning no later than November 1, 2002 through June 30, 2005.

In the first year, these tariffs were designed to allow any seven-director school district to purchase gas on an aggregated basis through a not-for-profit school association and transport it to the participating school districts. Beginning in July of 2003, the program was available to any school for elementary or secondary education whether a charter, private or parochial school district for the duration of the program.

During the 2003 legislative session, HB 208 was passed and subsequently signed by Governor Holden. This bill, in part, added additional rules respecting the statute for aggregation and transportation of natural gas for public school districts. The bill mandates that school districts receive basic transportation service that is similar to large industrial customers. The bill also mandated that capacity costs treatment not result in any detriments to the natural gas utilities, other customers and local taxing authorities. The passage of this additional rule affected one Local Distribution Company (LDC). All other natural gas utilities in the state had agreements that were in effect and will be in effect for the duration of the program.



Purchased Gas Adjustment (PGA)

-- Generic Case

On March 26, 2002, the Commission established a case (GO-2002-452) to review the PGA clauses of all Missouri natural gas utilities. The establishment of this case was a direct result of recommendations filed by the Commission's Natural Gas Commodity Price Task Force. It had been five years since the Commission had reviewed the PGA provisions of the various natural gas utilities, and the natural gas industry had undergone major changes in that time.

The Commission Staff and other interested parties participated in reviewing the PGA process, and filed a final status report, which was accepted by the Commission. AmerenUE was the first utility to file tariff sheets designed to incorporate the PGA changes agreed to by the parties in the GO-2002-452 case. These changes included one of the recommendations of the Task Force, which would increase the number of scheduled PGA filings from two up to four per year.

Other changes to the tariff regarded how over and under recovery balances will be tracked, the interest rate on those balances, thresholds for interest calculations, how the PGA is to be calculated and how refunds are accounted for. The Commission approved AmerenUE's request on March 28, 2003. Subsequent to the AmerenUE filing, three other utilities filed PGA tariff changes to incorporate the agreements reached in this case.

Infrastructure System Replacement Surcharges

During the 2003 legislative session, a new law (HB 208) was enacted which gives natural gas utilities the ability to petition the Commission to implement or modify an infrastructure system replacement surcharge (ISRS). The new law took effect on August 28, 2003. As a result, the Commission initiated a proposed rulemaking to establish the definitions and procedures relevant to the filing and processing of petitions to implement or modify infrastructure system replacement surcharges (ISRS).

This new statute permits Commission regulated natural gas utilities to file for an ISRS for recovery of costs for eligible infrastructure replacements and contains certain limitations on timing and the amount of the proposed ISRS. When a natural gas utility files a petition to initiate an ISRS, the PSC Staff must file its recommendation regarding the surcharge within 60 days of the filing, and the Commission must issue its Order within 120 days. If the request filed by natural gas utilities complies with the law, the surcharge is allowed to take effect.

Underground Utility Damage Prevention Statutes

The PSC worked with Missouri One-Call Systems (MOCS) personnel, numerous underground utility operators, and representatives of excavation contractors to pass House Substitute for House Committee Substitute for HB 425 during the 91st General Assembly. This legislation became law on August 28, 2001 and established a true one-call system in the state of Missouri.

All owners of underground facilities in Missouri are now required to become members of MOCS. With "one call," a person planning excavation work will have all the underground facility owners in the area of the proposed excavation notified and the facilities marked.

Universal participation in the MOCS will increase public safety by better protecting the state's underground infrastructure. All owners and operators of underground facilities in first- and second-class counties were required to become members of MOCS before January 1, 2003, and in third- and fourth-class counties before January 1, 2005.



Safety First

Members of the PSC Gas Safety Department oversee excavation of a natural gas line.

Underground Damage Prevention Initiatives

The PSC participated in a ground-breaking national study of Damage Prevention Best Practices, sponsored by the Federal Office of Pipeline Safety, with the participation of more than 160 stakeholders representing multiple industries and interest groups across the country. The study resulted in a report "Common Ground: Damage Prevention Best Practices Report" (August 1999), which contains key elements to successful damage prevention programs. Work continues on a national level through the Common Ground Alliance (CGA) and the PSC actively participates in this national initiative.

A group of Missouri stakeholders formed Missouri Common Ground (MCG) in 2000 with the mission of identifying and promoting the Best Practices to prevent damage to underground facilities. PSC Gas Safety/Engineering Staff member Amy Brox is chair of the Steering Committee of MCG. MCG has been successful in the formation, facilitation, and continuing development of nine Regional Damage Prevention Councils throughout Missouri. The Regional Damage Prevention Councils have been established with the intent of providing a forum to promote not only communication and education, but to improve policies, improve coordination, form guidelines, and enhance Missouri's damage prevention system. Grass-roots participation in and support of damage prevention practices by all stakeholders (all underground facility owners, excavators, locating personnel, builders/developers and others) is the foundation upon which a successful damage prevention program can be built for all underground facilities in Missouri.

MCG became one of the founding partners with CGA in the initiative to facilitate communication on Best Practices. The CGA officially formed their Regional Partnership Program in 2002 to engage new and existing damage prevention organizations in a partnership program to disseminate CGA information, and hear concerns at the local level regarding a wide array of damage prevention issues. The CGA program has experienced great success and in July 2003 had grown to 17 regional partners.

Missouri Association of Natural Gas Operators

The Missouri Association of Natural Gas Operators (MANGO) is a nonprofit organization comprised of the Missouri natural gas operators (investor-owned and municipal systems). These operators work together with the PSC Gas Safety/Engineering Staff to enhance the operations and safety of natural gas systems throughout the state.

MANGO works with the PSC to review existing regulations, clarify interpretations and provide support in developing new regulations. The goal is to work together to address operations, maintenance, and

emergency response issues, as well as potential hazards (such as directional drilling, defective materials, and other issues) and to foster continuing dialogue to operate the natural gas systems in the state as safely as possible.

The PSC and MANGO hold quarterly

meetings to stay current on issues/trends in the industry and other issues affecting the operators' operations. In addition, the PSC and MANGO sponsor an annual pipeline safety seminar to help train and educate operators on a wide variety of pipeline and pipeline safety issues, including installation, operations, maintenance, emergency response, and products used in the industry. This year's seminar attracted approximately 200 participants.

Federal Natural Gas Activities

Decisions by the FERC directly affect Missouri ratepayers since Missouri's natural gas utilities must use FERC-regulated interstate pipelines for delivery of their natural gas supplies. The PSC believes its involvement in FERC and related judicial proceedings is



PSC Energy Department Manager Warren Wood (third from left) participates in a Missouri Chamber of Commerce panel discussion on natural gas issues.

necessary to ensure that Missouri natural gas consumers receive reliable service at reasonable rates.

There are 10 interstate pipelines directly serving Missouri with an additional 4-6 upstream pipelines used by Missouri natural gas utilities. The PSC actively participates in many proceedings, company-specific and generic, focusing on those having greatest impact to Missouri and/or those where representation of Missouri interests is limited or absent. The PSC's federal gas activities have resulted in \$29.6 million in cost savings (\$.5 million in rate refunds and \$29.1 in rate reductions) for Missouri consumers during fiscal year 2003.

The three pipelines delivering a majority of the state's natural gas are: Southern Star Central Gas Pipeline Inc. (SSC), f/k/a Williams Gas Pipelines-Central; Centerpoint Energy-Mississippi River (MRT), f/k/a Mississippi River Transmission Corporation; and Panhandle Eastern Pipe Line Company (Panhandle). SSC serves western Missouri, including the Kansas City, St. Joseph, Springfield and Joplin areas and has a small lateral terminating in St. Louis. MRT serves St. Louis and portions of southeast Missouri. Panhandle serves a number of systems across the central part of the state.

Kansas Ad Valorem Tax Refunds

Since 1989, the PSC has been aggressively seeking refunds of Kansas ad valorem taxes unlawfully collected from SSC and Panhandle consumers during 1988-93. Of the estimated \$75 million in refunds owed to Missouri ratepayers, \$20.5 million has been received — \$13 million during 1994-95, \$7.3 million during 1998-99, and \$1.5 million during 2000-01.

In January 2003, FERC set the remaining matters for hearing in SSC Docket No. RP98-52 and in Panhandle Docket No. RP98-40. The PSC has submitted testimony in both dockets. The SSC hearing was held in August 2003, with an initial decision anticipated during December 2003. The Panhandle hearing is scheduled for October 2003, with an initial decision expected during February 2004. Although settlement discussions with the producers subject to the hearing orders have continued, no settlement agreements have yet been filed at FERC.

The PSC is also pursuing certain unpaid refunds other parties have deemed uncollectible.

Southern Star Central Gas Pipeline Inc. (SSC)

Following the acquisition of Williams Gas Pipelines-Central by AIG Highstar Capital LP, the pipeline's name was changed to Southern Star Central Gas Pipeline, Inc. on November 15, 2002.

On November 27, 2002, SSC made its annual fuel use and loss reimbursement filing (Docket No. RP03-135), seeking significant increases in its reimbursement percentages, particularly with respect to storage injections. In response to the PSC's protest of the filing, FERC accepted the subject tariff sheets effective January 1, 2003, subject to refund and the outcome of a technical conference. However, on July 2, 2003, FERC found that significant issues had been raised and not resolved during the technical conference procedure and established a May 2004 hearing date with an anticipated late September 2004 initial decision.

On April 29, 2003, SSC filed tariffs (Docket No. RP03-335) to implement daily allocations of gas on its system. In an effort to resolve the issues raised by the PSC and others, FERC established a technical conference procedure and conditionally accepted and suspended SSC's proposed tariff changes, to become effective November 1, 2003. Parties await FERC's technical conference conclusions and findings regarding SSC's proposal.

During August 2003, SSC commenced construction of its \$10.5 million Southwest Missouri Expansion Project (Docket No. CP02-416) to provide an additional 66,800 Dth/day to serve electric power generation and natural gas utilities load growth.

Centerpoint Energy-Mississippi River (MRT)

As a result of the settlement approved by FERC on January 16, 2002, Missouri customers have experienced over \$16.6 million in cost-savings during FY 2003. That settlement also contained a conditional rate moratorium (precluding increases to base transportation and storage rates) through September 2006.

Panhandle Eastern Pipe Line Company (Panhandle)

Panhandle was acquired by Southern Union Company (SU) on June 11, 2003. Since SU owns Missouri Gas Energy, a natural gas utility regulated by the PSC, the PSC's review and approval of SU's

acquisition of Panhandle was needed (Case No. GM-2003-0238). The PSC's approval was given subject to certain conditions, including those to protect against conflict of interest situations with respect to MGE's transportation and storage service agreements with Panhandle and to eliminate and/or preclude Southern Union's financial and/or managerial participation in Southern Star Central activities.

Enbridge Pipelines-KPC (KPC)

A portion of the gas supply for Kansas City is transported over KPC. FERC allowed KPC (in Docket No. CP96-152) to begin charging FERC transportation rates, which were significantly higher than what the PSC believed reasonable. Although the PSC obtained a favorable U.S. Court of Appeals decision in its appeal of FERC initial rate orders during December 2000, the PSC believed FERC's subsequent orders on remand were erroneous. Therefore the PSC filed another appeal (Case No. 02-1132) on April 17, 2002. On August 12, 2003, the court once again remanded the matter to the FERC because it found the FERC's previous orders on remand were not reasonable. Approximately \$1.8 million per year is at issue on rates paid by Missouri Gas Energy customers since November 1997 through November 9, 2002, the date final rates in KPC's subsequent rate case (Docket No. RP99-485) become effective. Parties await FERC's action on the most recent remand.

KPC's August 1999 rate filing in Docket No. RP99-485 sought to maintain or slightly increase the initial (CP96-152) rates approved by FERC. During 2000, the PSC used six of its staff to present expert testimony in this case seeking a \$20 million reduction to KPC's annual cost-of-service. On March 19, 2003, FERC issued its final order implementing rate reductions, to be effective November 9, 2002, based on a \$20.8 million cost-of-service rather than the \$34.7 million originally requested by KPC.



Each year the PSC holds "roundtable" discussions on various utility topics .

Missouri Interstate Gas LLC (MIG)

On July 3, 2002, MIG proposed a 20,000 Dth/day project to connect Missouri Pipeline Company, a Missouri-regulated intrastate pipeline, with MRT's East Line in Madison County, Illinois (Docket Nos. CP02-399, CP02-400, and CP02-401). It sought authority to place into service 5.6 miles of existing 12-inch diameter pipeline, and to construct approximately

1 mile of 12-inch diameter pipeline and an interconnection valve, at an estimated cost of \$13.4 million. On September 24, 2002, FERC granted MIG the authority to construct and operate those facilities and to transport natural gas for others, indicating the project was in the public interest since it would provide an additional source of supply to customers of MIG's affiliated intrastate pipelines, Missouri Pipeline Company

(MPC) and Missouri Gas Company (MGC). FERC also stated MPC and MGC would remain under the PSC's jurisdiction.

The PSC protested certain aspects of the initial proforma tariff sheets submitted by MIG in October 2002. MIG commenced service in January 2003. In May 2003, MIG received final FERC approval of its tariff.

Other Proceedings

The PSC aggressively analyzes pipeline cashout filings and fuel reimbursement requests and expresses concerns about lack of consistency in the documentation supporting those filings. It has been successful in obtaining corrective modifications to right-of-first-refusal tariffs and pipeline fuel waiver requests. The PSC submitted comments in several of FERC's generic proceedings - Regulation of Interstate Natural Gas Transportation Services regarding right-of-first-refusal term cap issues (RM98-10-011); Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations (RM02-7); Regulation of Cash Management Practices (RM02-14-000); Quarterly Financial Reporting and Revisions to the Annual Reports (RM03-8); and Amendments to Blanket Sales Certificates (RM03-10).

TELECOMMUNICATIONS

Quality of Telephone Service in Missouri

During the July 1, 2002 through June 30, 2003 time period, Missouri basic local telecommunications companies provided high quality service to Missouri consumers as evidenced by the following facts:

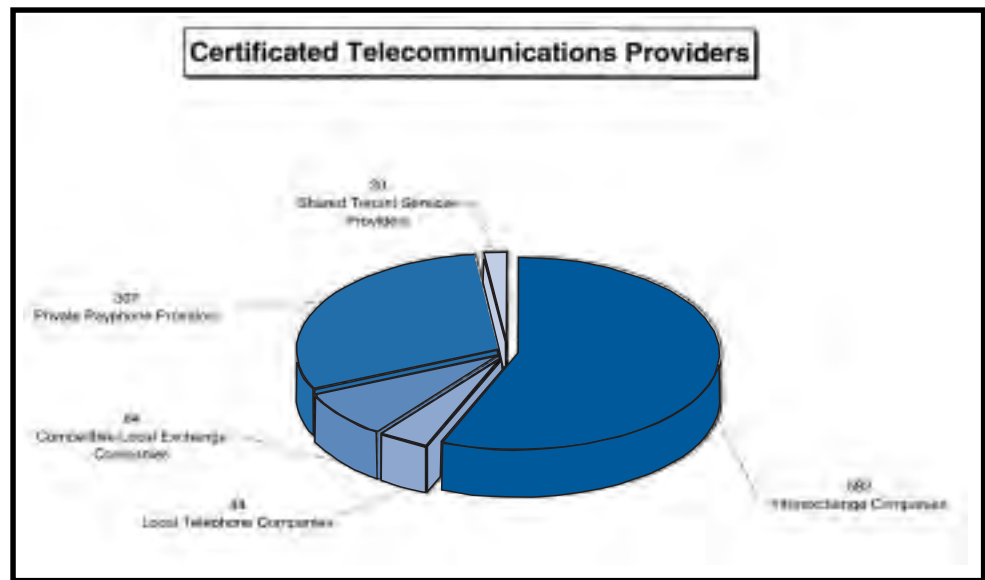
- In response to 648,609 requests for basic local telecommunications service, the Missouri telecommunications industry installed 95.20% of basic local service requests within five days. The Missouri telecommunications industry also met 96.94% of its commitments to install service on the day specified to the customer.

- Answered calls to the operator approximately 9.1 seconds after the customer dials "0".
- Answered calls to the company's repair center or business office in an average of 10.4 seconds.
- Received an average of 2.02 trouble reports per 100 customers.
- Restored 91.64% of out of service conditions within 24 hours.
- Met 94.33% of commitments to repair service by the day specified to the customer.

Competition for Basic Local Telephone Service

Competition for local telephone service in Missouri continues to be most noticeable among business customers and concentrated among Missouri's major metropolitan areas. Since the Commission first authorized local exchange telephone competition in 1997, there have been approximately 80 companies authorized by the Commission to provide telecommunications service in competition with the traditional incumbent local exchange carriers.

As of December 2002, it is estimated that competitors serve approximately 314,000 business access lines in Missouri and approximately 136,000 residential access lines in Missouri.



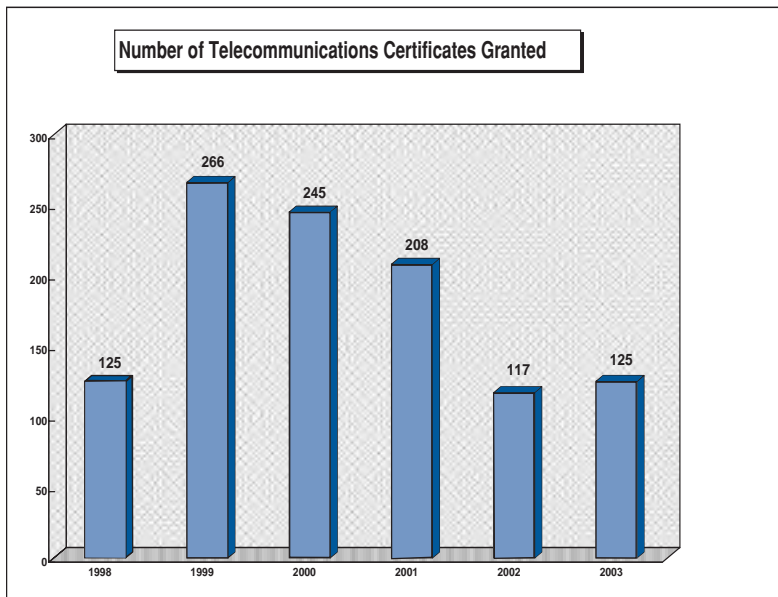
Therefore, it is estimated that competitors serve approximately 12 percent of the total access lines in Missouri. Competitors provide local exchange telephone service in a variety of ways including:

- (1) through the resale of the incumbent's facilities,
- (2) by using portions of the incumbent's network (called Unbundled Network Elements) or
- (3) through the use of their own competitor network.

During the past year the PSC conducted a hearing to examine the status of business and residential competition in certain areas served by Sprint Missouri, Inc. Specifically the Commission examined the state of local competition for the Sprint exchanges of Kearney, Rolla, Platte City, St. Robert and Norborne, Missouri. If the Commission determines effective competition exists for these areas, Sprint Missouri, Inc. could potentially have greater pricing flexibility in these exchanges. A Commission decision on this matter is expected by the end of 2003.

Spectra — Price Cap Regulation

In December 2002, the Missouri Public Service Commission issued a decision which determined that Spectra Communications Group, L.L.C. meets the standard for price cap regulation in Missouri. This decision affects approximately 107 rural telephone exchanges serving approximately 131,000 access lines in Missouri.



Under a state law passed in 1996, Spectra can be designated a price cap regulated company if it shows that:

- 1) an alternative local exchange company is properly certificated to provide local exchange telecommunications services in Spectra's service area; and
- 2) the alternative local exchange carrier is, in fact, providing such services in any part of Spectra's service area.

Spectra stated and the PSC Staff confirmed that Mark Twain Communications Company had been certified and was providing basic local exchange telecommunications service in some of Spectra's exchanges in Missouri.

Price cap regulation allows maximum prices for basic local telephone service to change based upon a consumer price index adjustment and rate rebalancing. The consumer price index adjustment allows the maximum rates for basic local service to annually change, up or down, based on relatively conservative government price indexes, which are based on the price of telephone service throughout the country.

Telephone Merger Approved

In October 2002, the Missouri Public Service Commission approved an agreement reached by parties in a telephone merger case between the Northeast Missouri Rural Telephone Company and Modern Telecommunications Company. As a result, Modern will merge into Northeast.

Northeast, a telephone cooperative, serves 11 exchanges in northeast Missouri. Modern, a wholly-owned subsidiary of Northeast, serves three northeast Missouri exchanges.

Telecommunications Bankruptcies

In August 2002, the PSC established a case to investigate the status of bankrupt telecommunications carriers operating in Missouri. In 2001, 31 Missouri carriers filed for bankruptcy, while 34 carriers filed for bankruptcy in 2002.

For the first six months of 2003, there have been less than seven carriers file for bankruptcy. As part of its investigation, the PSC is monitoring the ability of bankrupt carriers to continue to provide safe, adequate and nondiscriminatory services to customers at just and reasonable rates. The PSC is also reviewing the impact of the bankruptcy on other carriers operating in the state. The PSC is developing rulemaking language to establish procedures by which companies will notify the Commission of bankruptcy filings.

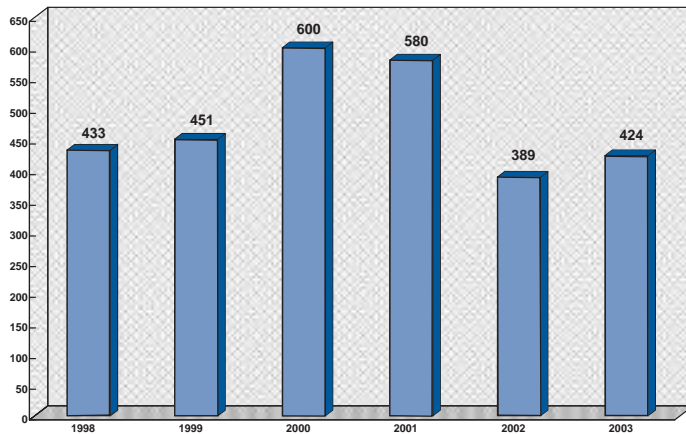
Relay Missouri

The Missouri Public Service Commission oversees the administration of the Relay Missouri service in the state. Relay Missouri began in 1991 and provides deaf, hard-of-hearing and speech-impaired citizens access to the telephone network. A communications assistant translates a call so that a deaf, hard-of-hearing, or speech-impaired party can communicate with any other party.

The Relay Missouri Advisory Committee assists the Missouri Public Service Commission in its administration of this program. Various consumers, including speech and hearing impaired individuals, telephone industry representatives, the PSC Staff and the Office of the Public Counsel comprise the Relay Missouri Advisory Committee.

Relay Missouri is funded through a monthly, per-line surcharge. The Relay Missouri surcharge is reviewed at least every two years, but not more than on an annual basis. This surcharge also funds the Adaptive Telephone Equipment Program administered by the Missouri Department of Labor.

Annual Number of New Telecommunications Cases Filed



In March 2003, the Commission adjusted the Relay Missouri surcharge from \$.09 to \$.10, effective July 1, 2003. The Commission's decision was based on evidence suggesting that without an increase in the surcharge, the Relay Missouri fund balance would continue to decline significantly, potentially reducing the fund balance to an unreasonably low level before the next review period.

During the past year, the Commission solicited proposals from various companies to provide the Relay Missouri service. Sprint was ultimately awarded a three-year contact to provide Relay Missouri service. The contract also provides for three, two-year renewal options. Sprint has been the sole provider of Relay Missouri service since the inception of the program. Sprint provides relay services for many other states and operates a major relay center in Independence, Missouri.

Telephone Numbers

Telephone number conservation efforts have helped to minimize the need to introduce new area codes in Missouri. In general, these conservation efforts have extended the projected lives of Missouri's area codes. Current exhaust projections for Missouri's area codes are listed above. These projections indicate telephone number relief may not need to be considered for at least five years which is the earliest projected exhaust date for any of Missouri's area codes.

Area Code Projected Exhaust Dates

314: Second quarter of 2010
 636: Fourth quarter of 2021
 573: Third quarter of 2008
 417: First quarter of 2009
 816: Third quarter of 2011
 660: First quarter of 2024

Local Number Portability

Local number portability refers to the ability to retain your telephone number if you change telephone providers. Local number portability requires the customer to reside in the same general location when changing providers.

According to Federal Communications Commission requirements, telephone companies, including wireless providers, are expected to have implemented local number portability within the nation's 100 largest metropolitan serving areas, if requested by other carriers by November 24, 2003. In Missouri, local number portability availability is currently limited to the St. Louis and Kansas City metropolitan areas.

Monitoring of Wholesale Service to Competitors

Southwestern Bell's restriction from providing interLATA long distance services was eliminated in November 2001. The FCC made this decision after consulting with the Missouri Commission and other parties. The FCC agreed with the Missouri Commission that Southwestern Bell had sufficiently opened its local markets to competition.

In an attempt to ensure these markets remain open for competing local telephone companies, certain performance standards are monitored and tracked. Currently 120 performance measures are tracked, which may be further disaggregated into 1,428 submetrics.

For many performance measures, direct comparisons are made of Southwestern Bell's performance to retail customers versus wholesale customers. Conceptually, performance to wholesale customers should be statistically the same or better than to an incumbent's retail customers. For example, the time

PUBLIC SERVICE COMMISSION

involved to repair trouble on a telephone line is expected to be the same regardless of whether the customer is a Southwestern Bell customer or a customer served by another company using Southwestern Bell's lines.

Southwestern Bell's ability to successfully meet these performance submetrics ranges from 88% in April 2001 to 96.5% in February 2003. If Southwestern Bell fails to meet certain performance metrics, the company is obligated to pay damages to the competitor and/or assessments to the Missouri state treasury.

Rule Revisions

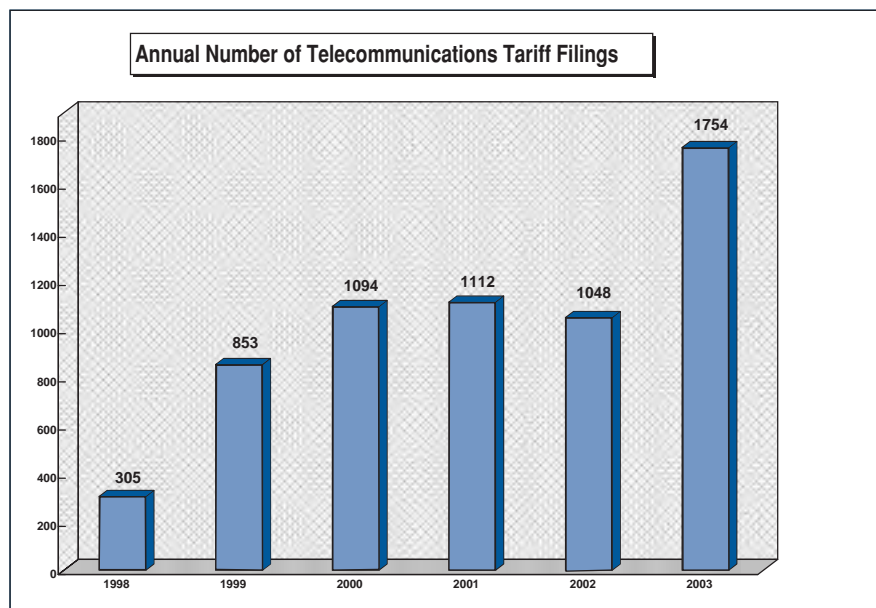
The PSC is at various stages in revising several telecommunications rules. Revisions being proposed include: quality of service standards for telecommunications services; protection of customer proprietary network information (i.e., quantity, technical configuration, type, destination, location and amount of use of a telecommunications service by a customer); inter-company record exchange process; truth-in-billing; customer notification requirements for company name changes and rate changes; tariff filing requirements; notification requirements for companies ceasing operation or filing bankruptcy; and filing requirements for competitive local exchange carriers.

A status update and summary of all pending rulemakings can be found on the Commission's web site at http://www.psc.state.mo.us/publications/PSC_Rule_Tracking_Sheet.xls.

Consumer Outreach

The PSC continues to update the "Show-Me-Rates" price comparison center web site <http://www.psc.state.mo.us/teleco-showmerates.asp>. Show-Me-Rates is an on-going project that includes rates for local toll and in-state long distance calls and provides contact information for various competitive local telecommunications companies throughout the state.

The PSC web site includes telecommunications-



specific information to keep the public informed. By choosing Consumer Information – Telecommunications, consumers can receive helpful information on topics such as saving money on phone repair bills, understanding your telephone bill, the Missouri No-Call law and telemarketing. Consumers can also access a "Consumer Bill of Rights" section.

Federal Telecommunications Activity

The PSC continues to actively monitor federal telecommunications activity at the FCC, other state commissions and federal courts. The PSC filed comments in proceedings before the FCC on universal service assessment issues and separate affiliate requirements for regional Bell operating companies.

In February 2003, the FCC issued a press release outlining rules concerning incumbent local exchange carriers' obligations to make elements of their networks available on an unbundled basis to new competitive entrants.

State commissions will play a significant role in implementing these FCC rules. Various proceedings are anticipated during the next year to determine which services and facilities should continue to be provided to competitors by an incumbent telephone company.

Interconnection Agreements/Arbitrations

Interconnection Agreements are negotiated or arbitrated contracts between two telecommunications carriers. In 2002, the PSC held hearings on the rates, terms and conditions associated with Southwestern

Bell's obligation to provide unbundled network elements (the various components of Southwestern Bell's telephone network a competitive local exchange carrier purchases to provide telecommunications service to consumers).

Decisions were issued with compliance activity to be completed by the end of 2002. As a result of the compliance activity, rates for unbundled network elements were approved by the PSC in June 2003.

Missouri Universal Service Fund

Effective March 31, 2002, the PSC approved the establishment of a Missouri Universal Service Fund (MoUSF), a fund anticipated to generate approximately \$4.8 million to assist low-income and disabled Missourians in obtaining affordable basic local telephone service.

The program will be funded through a Missouri telecommunications carrier assessment and will maximize the amount of funding consumers are eligible to receive in federal assistance for basic local service.

The Federal Universal Service Fund and the MoUSF may offer a total discount to qualifying customers of up to \$13 per month on their telephone bill. It is anticipated that adoption of the MoUSF low-income/disabled fund will also increase the level of telephone penetration in households made up of low-income or disabled consumers.

The Missouri Universal Service Board, comprised of members of the PSC and the Office of Public Counsel, administers the MoUSF. In 2002, the PSC developed rule language outlining the duties of a fund administrator, establishing a certification process for eligible low-income and disabled customers and implementing the fund assessment and collection process. The PSC and the Missouri Universal Service Board are in the process of selecting an administrator for the MoUSF.

Communities Providing Cable TV, Telephony And Internet Services

The PSC is charged under state statutes (Sections 392.410 and 71.970 RSMo) to evaluate the economic impact of municipally provided cable television and telephone services and to report its findings to the Legislature on December 31st of each year.

In 2002, three cities indicated they were providing cable television services to 8,564 subscribers and 11 cities indicated they were providing broadband/high speed Internet service to 3,911 subscribers.

No community appears to be providing voice telephony services. In 2002, municipalities identified \$3,897,000 in revenues from cable, telephony or Internet type services. 45.5 jobs were identified as related, but not exclusively dedicated, to the provision of these services. Reasons for providing these services were varied and included:

- To stimulate economic development;
- As a response to poor quality of service by a private firm;
- To provide an alternative to the existing private firm or firms;
- No private service was provided or the private firms had no plans to upgrade facilities to provide enhanced services.

Water & Sewer Department

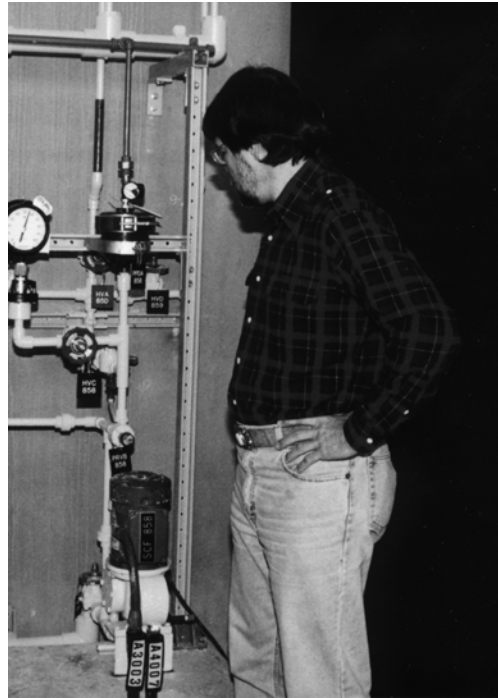
Department Personnel

The Water & Sewer Department consists of seven professional/technical positions and is split into two sections, Rates and Engineering. Although the Department is split into the Rates and Engineering Sections, staff members work closely together as a team and it is not unusual for them to share responsibilities. As with most departments within the Commission's organizational structure, the Department's management personnel carry out not only their administrative duties, but are also involved in a great deal of the technical and analytical case work that falls within the scope of the Department's responsibilities. As a group, the Department's staff members have compiled nearly 160 years of regulatory and/or water and sewer utility work experience, with much of that experience having been gained by their work in the Department.

Department Responsibilities

By law, the Commission is responsible for regulating the rates, fees and operating practices of the privately owned water and sewer corporations that operate in Missouri. The Water & Sewer Department helps the Commission fulfill its responsibilities by providing technical expertise to the Commission on matters relating to water and sewer system operations and the tariffed rates, charges and services of regulated water and sewer companies. The general objectives of the Department are two-fold. The first objective is to ensure that the regulated water and sewer companies provide safe and adequate service to their customers at rates that are deemed just and reasonable. The second objective is to ensure that the companies provide their service according to applicable Commission rules and procedures and the provisions of their Commission-approved tariffs.

PSC staff engineer Martin Hummel inspects equipment in a water plant chemical room. This equipment is used as part of the water treatment process. As part of their duties, the PSC Water and Sewer Department conducts regularly scheduled field inspections to determine whether company facilities and overall system operations comply with Commission rules.



Specific aspects of the Department's work include:

- Evaluating company tariff filings to determine whether proposed new/revised tariff provisions comply with applicable Commission rules, policies and state laws;
- Reviewing existing company tariffs to determine whether the provisions of the tariffs continue to comply with applicable Commission rules, policies and state laws, as they change over time;
- Participating in all formal and informal rate filings from the perspective of evaluating the appropriateness and design of proposed rates and charges, the adequacy of system operations and the appropriateness of and/or need for system plant additions that have been or will be placed in service;
- Participating in the review of all applications for new/expanded certificated service areas from the perspective of evaluating the need for the service proposed, the reasonableness and design of proposed rates and charges, proposed system design, plans for system operations and overall project feasibility;
- Participating in the review of financing applications to determine the appropriateness of and/or need

for projects being financed, as necessary;

- Conducting regularly scheduled field inspections to determine whether company facilities and overall system operations comply with applicable Commission rules, company tariff provisions and proper operational procedures;

- Interacting with company owners/operators regarding operational and technical matters;

- Investigating customer complaints and responding to customer inquiries concerning matters related to rates, charges, system operations and quality of service; and

- Providing expert testimony before the Commission on water and sewer cases pending before it, and providing technical advice to the Commission in its rulemaking actions on water and sewer matters.

Interaction with the Department of Natural Resources

Of the utilities regulated by the Commission, water and sewer utilities are unique in that another state agency, the Department of Natural Resources (DNR), also has significant jurisdiction over the utilities.

Specifically, DNR's jurisdiction covers the area of the water and sewer utilities' compliance with applicable federal and state environmental and water quality laws and regulations. While Commission rules provide for general oversight regarding water quality and sewage treatment standards, the Commission generally relies upon the DNR to determine whether the companies are complying with the applicable federal and state environmental and water quality laws and regulations.

Because of the overlapping jurisdiction between the Commission and the DNR, the staffs of both agencies attempt to work cooperatively in achieving the agencies' respective missions. For some time, the two agencies have shared information regarding companies for which the agencies share regulatory

responsibilities, under the provisions of a Memorandum of Understanding (MOU) between the agencies. However, the Commission and the DNR's Director recently pressed for improvements in the agencies' cooperation and coordination on overlapping matters, such as the DNR's issuance of construction and operating permits and the Commission's utility service area certification process. As a result, the agencies' MOU was modified and now, among other things, includes provisions that will result in the streamlining of the application processes for new water system construction, permitting and certification, and which will better coordinate the agencies' respective review and approval processes for such systems. It is anticipated that such efforts will eventually extend to the permitting and certification of all water and wastewater systems for which the agencies share jurisdiction.

The Commission's Regulated Water & Sewer Companies

The Commission currently has jurisdiction over 56 active sewer companies and 67 active water companies, which operate in various locations throughout the state, and many of which have multiple service areas and systems. The tables set out on the following page show the distribution of the number of companies based upon the number of customers served, using the most recently available customer numbers. As is shown in these tables, the vast majority of the Commission's jurisdictional water and sewer utilities are very small, which presents unique situations with which the Commission and the Department Staff must deal.

Regulated Sewer Companies

Customer Base	Number of Companies	Customers Served	% of Total Customers Served
1,000 & Up	2	2,565	21.07
500 - 999	4	2,770	22.75
250 - 499	9	2,835	23.29
100 - 249	18	2,945	24.19
50 - 99	13	825	6.78
0 - 49	10	235	1.93
TOTALS	56	12,175	100.0

NOTE: Tables compiled 9/26/03 based on most recently available information. Customers rounded to the nearest "five."

Regulated Water Companies

Customer Base	Number of Companies	Customers Served	% of Total Customers Served
100,000 & Up	1	413,965	92.85
5,000 – 9,999	1	6,960	1.50
2,500 – 4,999	1	4,515	1.01
1,500 – 2,499	2	4,735	1.06
750 – 1,499	6	6,045	1.36
500 – 749	4	2,375	0.53
250 – 499	9	3,105	0.70
150 – 249	12	2,330	0.52
100 – 149	8	985	0.22
50 – 99	14	925	0.21
0 – 49	9	180	0.04
TOTALS	67	446,120	100

NOTE: Tables compiled 9/26/03 based on most recently available information. Customers rounded to the nearest "five."

Manufactured Housing and Modular Unit Program

The Manufactured Housing Department is housed within the Public Service Commission and is governed by Sections 700.010-700.115 of the Revised Statutes of Missouri.

The department is responsible for overseeing the annual registration of dealers and manufacturers of manufactured homes and modular units; prescribing and enforcing uniform construction standards by conducting code inspections; and enforcing tie-down requirements.

There are 139 registered manufacturers and 310 registered manufactured housing dealers operating in Missouri.

The staff receives in excess of 200 phone calls monthly and receives in excess of 200 consumer inspection requests annually. Currently the staff consists of three full-time field inspectors, one part-time inspector and two office staff.

The PSC has a toll-free hotline for consumers who have questions and/or complaints regarding manufactured homes or modular units. The toll-free number is **1-800-819-3180**.

The Program, after suffering the effects of the overall down turn in the economy during the past two years, has begun to stabilize during the last couple months of the fiscal year. The industry thrived during the middle and late nineties that caused inventories to increase dramatically in the early 2000's when the economy took a sharp decline. Those inventories have been stabilizing resulting in a more stable market.

The PSC Manufactured Housing Department will be working with other entities in the future regarding the implementation of new federal mandates which must be placed into effect by December 2005. These new mandates include: licensing of all home installers; inspections of new homes and dispute resolution.



Gene Winn, Manufactured Housing Inspector/Supervisor, inspects the siding installation on a new manufactured home.

STATISTICS FOR FISCAL YEAR 2003

Registered Manufacturers:	139
Registered Dealers:	310
Homes Sold (new & used):	6,854
Consumer Complaint Inspections:	335
Dealer Lots Inspected:	496
Modular Unit Seals Issued:	770
Modular Unit Plans Approved:	751

Source: PSC Manufactured
Housing Department database

SERVICE QUALITY

Engineering and Management Services Department

The Engineering and Management Services Department (EMSD, staff or Department) has technical responsibilities in two separate areas.

The Management Analysts' mission is to develop, enhance and support utility management to provide quality services to customers and effective cost control of critical resources such as capital, technology and human resources.

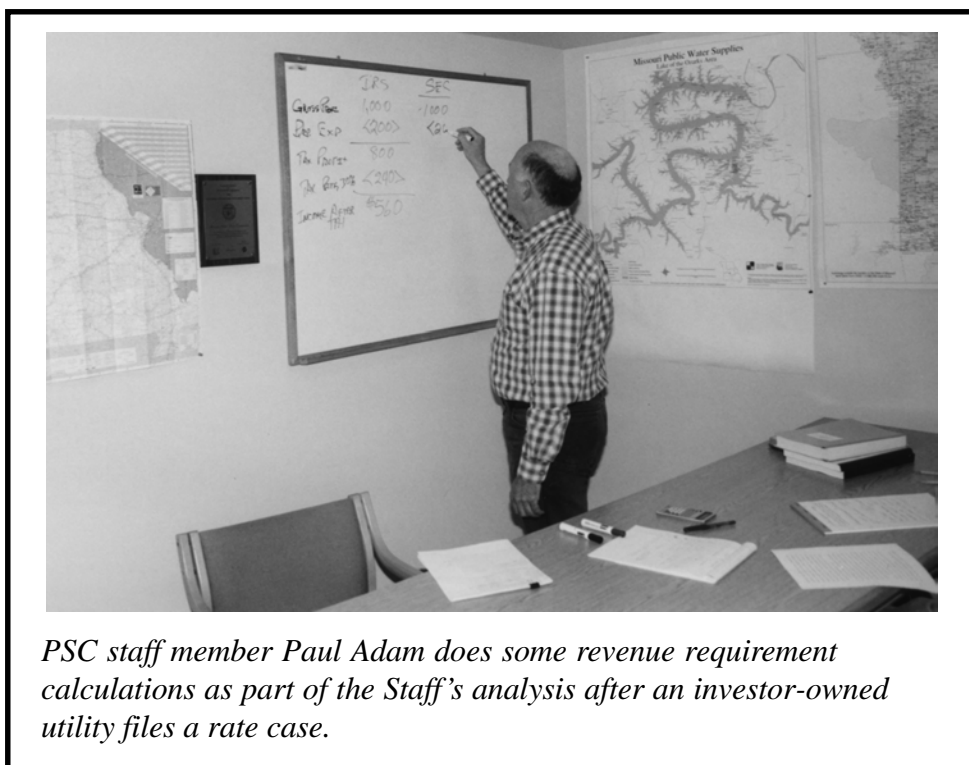
The engineering staff of EMSD conducts depreciation studies and provides specialized engineering analysis and assistance for all types of regulated utilities.

Major Projects During 2003

Management Analysts participated in a variety of cases and audit projects during 2003. Specifically, the staff initiated a customer service and gas supply review of Laclede Gas Company. Laclede serves approximately 636,000 customers in Missouri. During the course of its review, the EMSD traveled to Company headquarters in St. Louis and made on-site visits to the Company's St. Charles and Forest Park offices. In addition, PSC staff also viewed the Company's underground storage facility near Florissant as well as the Company's Meter Shop in south St. Louis. The staff performed on-site observations at the Company's call center located at Company headquarters and conducted field observations of the Company's meter reading and disconnection processes. Staff's review resulted in approximately 60 recommendations made to Laclede Gas Company management for improvement.

Management Analysts also participated in other Laclede proceedings, including Case No. GO-2002-1099, an investigation of Laclede Gas Company's transfer of its gas supply function to a separate subsidiary, Laclede Energy Services.

Laclede Energy Services (LES) was established by The Laclede Group in the Spring of 2002 as a non-regulated subsidiary responsible for performing energy



PSC staff member Paul Adam does some revenue requirement calculations as part of the Staff's analysis after an investor-owned utility files a rate case.

management and administrative services for both Laclede and Laclede Energy Resources (LER). Laclede Energy Resources is engaged in non-regulated efforts to market natural gas and related activities for The Laclede Group. The PSC staff raised several concerns about LES during this proceeding. As a result of those concerns, Laclede's management decided to dissolve LES in April 2003.

The PSC staff filed testimony in Case No. GR-2002-356, Laclede Gas Company's request for a rate increase. Staff's testimony in this proceeding addressed managerial considerations that should be evaluated by the Company in determining whether and when to remove the Company's four gas holders.

Department Staff participated on a multi-disciplined team to review and report on the evolving financial situation at Aquila, Inc. and the implications on Aquila's regulated operations in Missouri. Management Analysts analyzed and reported on Aquila service quality including Commission complaint trends, employee turnover rates, customer service work orders, call center response performance measures and estimated utility bills.

During fiscal year 2003, staff continued to participate in Case No. OO-2002-202, the PSC's Utility Emergency Preparedness case. Staff was involved in the compilation and evaluation of data received from a utility survey and the preparation of follow-up reports to the Commission.

Staff also participated in a multi-agency Homeland Security Advisory Committee. This committee met regularly to develop recommendations to implement the Homeland Security Advisory System in state and local governments and to promote the adoption in the private sector for the purpose of enhancing homeland security.

The staff continued to receive and review status reports from a variety of companies as a result of merger cases. These reports contain information regarding customer service at the companies including data on call center indicators such as average speed of answer (ASA) and abandoned call rate (ACR). Management Analysts also participated in the merger of Southern Union and Panhandle Eastern, Case No. GM-2003-238. Staff proposed and obtained an extension of time for reporting on service quality indicators that was agreed to in a prior stipulated case, GM-2002-43.

Management Analysts also pursued graphing and analyzing company complaint data received from the Commission's Consumer Services Department. This data is maintained to track performance trends in the areas of consumer complaints to the Commission.

Staff also prepared a white paper during FY 03 that addressed the importance of accurate time reporting for all regulated utilities but particularly for those with affiliated interests. Time reporting is a critical managerial and regulatory control process for utilities.

The Department participated in reviews of numerous small water and sewer companies to assist them in providing sound customer service. The audit program is designed to assist such companies in a variety of areas including customer billing, credit and collections, complaint handling and others.

The engineering staff of the department performed depreciation analysis for several large and small companies during this fiscal year. The engineers' objective is to propose depreciation rates that are fair and appropriate for each company and the company's customers.

During fiscal 2003, the engineering staff compiled depreciation studies and reports on 18 different companies including comprehensive depreciation studies in the context of rate cases filed by Laclede Gas Company and The Empire District Electric Company.

During this time period, engineers developed proposals that allowed for an approximate \$3 million reduction in the positions requested by utilities. Depreciation comprises a significant component of the cost used to develop utility rates paid by consumers.

Depreciation engineers performed company inspections and participated in plant tours to develop their knowledge and understanding of each company's tangible plant. This knowledge of company plant, coupled with statistical analysis of plant mortality data, serves as the basis of staff's work in each rate case and the support for staff's depreciation rates.

Consumer Services Department

The Consumer Services Department serves as the central repository for consumer complaints and inquiries received by the Commission.

Consumer complaints may be filed with the Commission by mail, facsimile, e-mail or the Commission's consumer toll-free hotline (**1-800-392-4211**.) Complaints may also be submitted on-line through the Commission's website. Consumer Services Specialists receive, investigate and respond to billing and service issues involving gas, electric, water, sewer, and telecommunications companies regulated by the Commission. The investigation of complaints may involve consulting with the Commission's technical Staff, utility representatives and researching utility tariffs and Commission rules and regulations. Through the handling of consumer complaints, Specialists work to enforce Commission rules and utility tariffs.

Specialists also interact with other PSC Staff regarding consumer service issues in proposed rulemakings on the state and federal level. This interaction also involves participating in customer service focused reviews of utility operations and participating in formal cases before the Commission regarding issues that impact customer services.

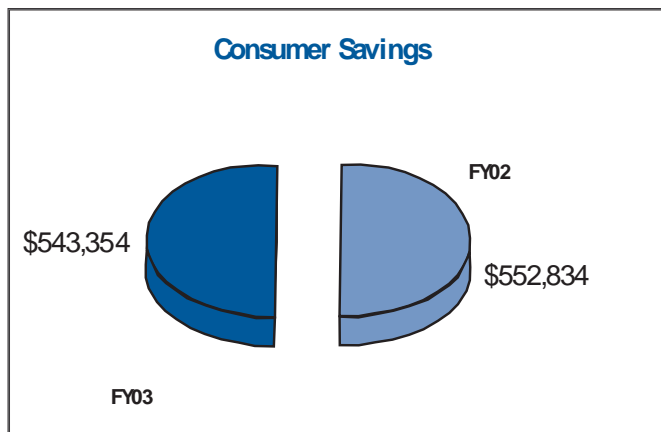
Consumer Service specialists also interact with community action agencies by referring consumers to other agencies that may provide the needed assistance.



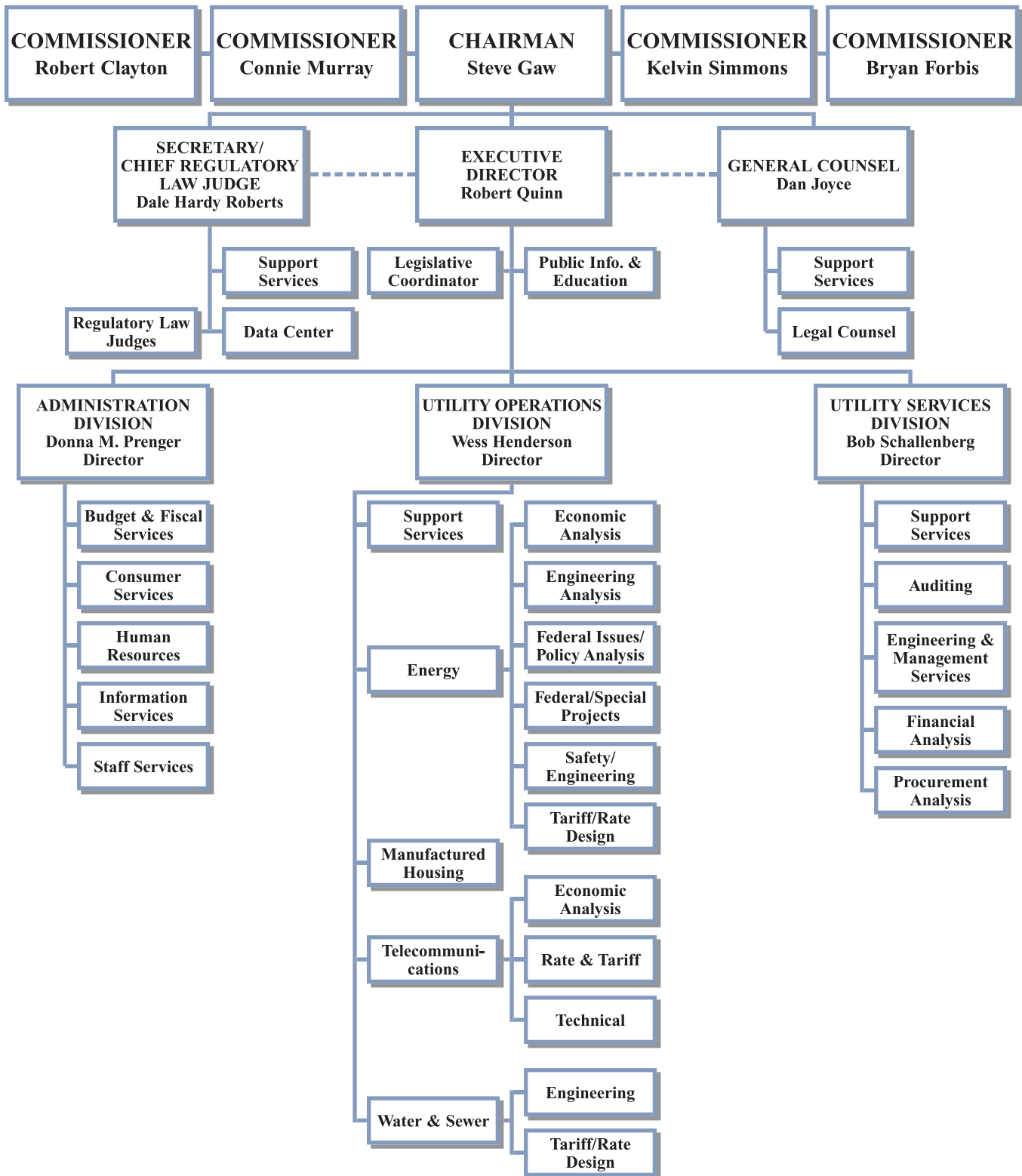
Gay Fred was appointed Manager of the PSC Consumer Services Department on Feb. 1, 2003.



Commissioner Robert Clayton answers a call on the PSC hotline as part of Consumer Services Week.



MISSOURI PUBLIC SERVICE COMMISSION ORGANIZATIONAL CHART



YEAR IN REVIEW

2002

July 25 - PSC approves agreement which calls for an electric rate reduction for AmerenUE customers which is among the largest in state history. Electric rates will be reduced by approximately \$110 million by April 2004.

August 15 - PSC opens case to receive information on the effects of telecommunications bankruptcies in Missouri.

August 21 - PSC conducts Demand Response Programs and Mergers Roundtable.

October 1 - PSC Chairman Kelvin Simmons expresses support for American Gas Association call for more dollars to fund LIHEAP (Low Income Home Energy Assistance Program).

October 3 - PSC approves agreement reached in Laclede Gas Company natural gas rate case authorizing an increase of approximately \$14 million. When Laclede Gas filed its request on January 25, 2002, it sought to increase annual natural gas revenues by approximately \$36.1 million.

October 8 - PSC authorizes General Counsel to go to circuit court seeking to place the control and responsibility of the day-to-day operations of the Warren County Water & Sewer Company with a receiver.

October 15 - PSC approves agreements reached in natural gas aggregation cases allowing eligible school districts in Missouri (or marketers on their behalf) to purchase their own natural gas supplies.

October 16 - PSC cautions consumers to be prepared for the winter heating season and the potential for higher natural gas prices.

October 22 - PSC approves merger of the Modern Telecommunications Company into the Northeast Missouri Rural Telephone Company.

October 30 - Missouri Public Service Commission receives national award for its Electronic Filing and Information System (EFIS).

November 6 - PSC holds roundtable on current Cold Weather Rule and possible Hot Weather Rule.

November 14 - PSC approves agreement which authorizes the Empire District Electric Company to increase electric revenues by approximately \$11 million. This case also results in the elimination of an interim energy charge. Empire

District Electric Company sought to increase annual electric revenues by approximately \$19.8 million when it filed its request on March 8, 2002.

December 10 - PSC authorizes General Counsel to go to circuit court seeking to place the Osage Water Company into receivership.



PSC staff members tour a local substation.

PSC Year in Review

(continued)

December 17 - PSC issues a decision which authorizes the Empire District Electric Company to increase water revenues by approximately \$358,000 a year.

December 17 - PSC determines Spectra Communications Group, L.L.C. meets the standard to be price cap regulated in Missouri.

December 30 - PSC approves the merger of Cedar Hill Estates Water Company into KMB Utility Corporation.

2003

January 16 - PSC denies Laclede Gas Company request to implement Catch-Up/Keep-Up Program.

January 24 - PSC conducts roundtable on Fixed Bill Programs.

March 11 - PSC issues consumer alert that natural gas prices could be significantly higher next winter due to current market conditions and record low storage levels.

March 27 - PSC approves agreement authorizing Southern Union d/b/a Missouri Gas Energy to acquire the equity interests of the Panhandle Eastern Pipe Line Company.

March 27 - To ensure adequate funding, the Missouri Public Service Commission adjusts the Relay Missouri surcharge a penny from 9 cents to 10 cents a month per telephone line.

April 1 - AmerenUE reduces electric revenues by approximately \$30 million. It represents the second year of a July 2002 agreement which calls for electric rate reductions totaling \$110 million by April 2004.

April 1 - PSC approves agreement authorizing the Philadelphia Suburban Corporation to acquire the stock of AquaSource Development Company.

April 22 - Missouri Supreme Court, by a 7-0 vote, affirms validity of PSC rules that establish reporting requirements and asymmetrical pricing standards for transactions between public utilities and their affiliates.

April 28 - PSC Chairman Kelvin Simmons receives Governor's Torch of Excellence Leadership Award for innovative diversity policies and procedures implemented by the PSC.

April 28 - Governor Holden appoints Robert M. Clayton III to the PSC. Governor Holden also reappoints Commissioner Connie Murray to the PSC.

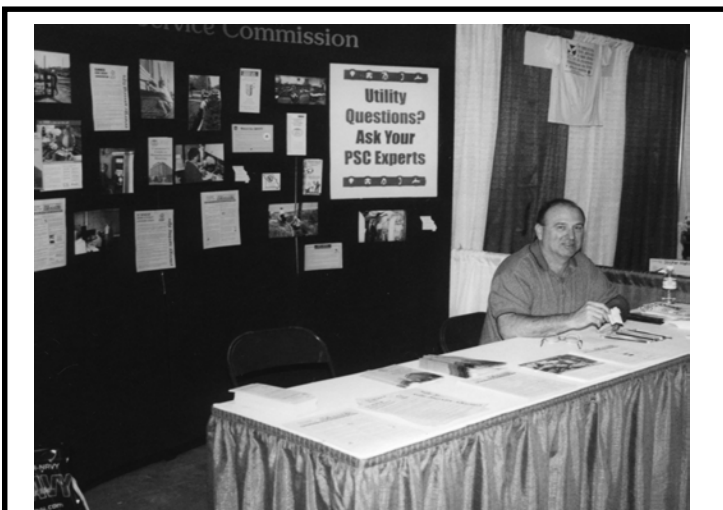
April 30 - Commissioner Sheila Lumpe retires from the PSC.

May 19 - PSC hosts utility regulation delegation from Jamaica as part of an energy partnership program administered through the United States Energy Association and funded by the U.S. Agency for International Development.

May 19 - Missouri-American Water Company files a \$20 million water rate case and a \$1,600 sewer case with the Public Service Commission.

May 23 - AmerenUE files a \$26.7 million natural gas rate case with the Public Service Commission.

June 10 - PSC issues consumer alert — natural gas prices are still high and the PSC remains concerned about prices for this winter.



Larry Henderson was one of several PSC staff members who worked at the Commission's information booth at the Missouri State Fair in Sedalia.

Statistical Information

RATE CASE DECISIONS DURING FISCAL YEAR 2003

NATURAL GAS

<u>Date of Order</u>	<u>Case No.</u>	<u>Company</u>	<u>Rate Request</u>	<u>PSC Decision</u>
10/3/02	GR-2002-356	Laclede Gas Company	\$36,100,000	\$14,000,000

ELECTRIC

<u>Date of Order</u>	<u>Case No.</u>	<u>Company</u>	<u>Rate Request</u>	<u>PSC Decision</u>
7/25/02	EC-2002-1	Union Electric d/b/a AmerenUE	-0-	(\$50,000,000) (1)
11/14/02	ER-2002-424	Empire District Electric	\$19,700,000	\$11,000,000 (2)
4/1/03	EC-2002-1	Union Electric d/b/a AmerenUE	-0-	(\$30,000,000) (3)

- (1) Permanent rate reduction of \$50 million retroactive to April 1, 2002. Stipulation and Agreement approved by the Commission also calls for one-time bill credit of \$40 million.
- (2) Stipulation and Agreement approved by the Commission also eliminates interim energy charge.
- (3) Second year of reductions relating to an agreement approved by the Commission in a PSC Staff complaint case against AmerenUE.

WATER & SEWER

Small Company Rate Increase Requests (Resolved, Pending and/or Submitted)

<u>Tracking/ Case Number</u>	<u>Company</u>	<u>Status of Request</u>	<u>Increase Granted</u>
2001 00966	The Meadows Water Company (water)	Request Pending	N/A
2001 00967	The Meadows Water Company (sewer)	Request Pending	N/A
2002 00556 (SR-2002-1163)	Foxfire Utility Company (sewer)	Increase Effective December 10, 2002	\$38,035
2002 00557 (WR-2002-1162)	Foxfire Utility Company (water)	Increase Effective December 10, 2002	\$22,000
2002 00623	Stoddard County Sewer Company	Request Withdrawn	N/A
2002 00682	Mill Creek Sewers, Inc.	Request Pending	N/A
QW-2002-0007 (WR-2003-0177)	Empire District Electric Company	Increase Effective December 23, 2002	\$357,950
QW-2002-0009 (WR-2003-0152)	Rogue Creek Utilities	Increase Effective November 11, 2002	\$8,550
QS-2002-0010 (SR-2003-0153)	Rogue Creek Utilities	Increase Effective November 11, 2002	\$6,565
QW-2003-0001	AquaSource/R.U., Inc.	Request Pending	N/A
QW-2003-0002	AquaSource/R.U., Inc.	Request Pending	N/A
QS-2003-0003	AquaSource/R.U., Inc.	Request Pending	N/A
QW-2003-0004	Lakewood Manor, Limited	Request Withdrawn	N/A
QW-2003-0005	Roark Water & Sewer, Inc.	Request Pending	N/A
QS-2003-0006	Roark Water & Sewer, Inc.	Request Pending	N/A
QW-2003-0007 (WR-2003-0385)	Cedar Hill Estates Water Co., Inc.	Increase Effective May 21, 2003	\$26,050

(1) The first block of numbers (2002) in the "Tracking/Case Number" column reflects the fiscal year in which the rate increase request/case was originally submitted to the Commission.

(2) EFIS Tracking Numbers used in lieu of tariff tracking number effective 04/17/02.
QW - small water company request QS - small sewer company request

(3) An entry of "Pending" indicates that a final disposition of the rate increase request had not been reached as of June 30, 2002.

(4) Dollar amounts in "Increase" column rounded to the nearest "five."

(5) N/A - "Not Applicable"

WATER & SEWER

Small Company Rate Increase Requests (Resolved, Pending and/or Submitted)

<u>Tracking/ Case Number</u>	<u>Company</u>	<u>Status of Request</u>	<u>Increase Granted</u>
QS-2003-0008 (SR-2003-0244)	TBJ Sewer Systems, Inc.	Increase Effective February 17, 2003	\$1,000
QW-2003-0009 (WR-2003-0387)	KMB Utility Corporation	Increase Effective May 21, 2003	\$4,310
QS-2003-0010 (SR-2003-0442)	KMB Utility Corporation	Increase Effective May 21, 2003	\$8,510
QS-2003-0015	Taney County Utilities Corporation	Request Pending	N/A
QW-2003-0016	Taney County Utilities Corporation	Request Pending	N/A
QS-2003-0017	Gladlo Water & Sewer Company, Inc.	Request Pending	N/A
QW-2003-0018	Gladlo Water & Sewer Company, Inc.	Request Pending	N/A
QS-2003-0019	North Oak Sewer District, Inc.	Request Pending	N/A
QW-2003-0022	Noel Water Company, Inc.	Request Pending	N/A
QW-2003-0023	Raytown Water Company	Request Pending	N/A
WR-2003-0500	Missouri-American Water Company	Case Pending	N/A
ST-2003-0562	Osage Water Company	Case Pending	N/A
WT-2003-0563	Osage Water Company	Case Pending	N/A

(1) The first block of numbers (2002) in the “Tracking/Case Number” column reflects the fiscal year in which the rate increase request/case was originally submitted to the Commission.

(2) EFIS Tracking Numbers used in lieu of tariff tracking number effective 04/17/02.
QW - small water company request QS - small sewer company request

(3) An entry of “Pending” indicates that a final disposition of the rate increase request had not been reached as of June 30, 2003.

(4) Dollar amounts in “Increase” column rounded to the nearest “five.”

(5) N/A - “Not Applicable”

Telephone Statistics

<u>Company</u>	<u>Access Lines</u>
SBC Missouri	2,370,623
CenturyTel of Missouri, LLC	347,468
Sprint Missouri, Inc. d/b/a Sprint	290,228
Spectra Communications, LLC d/b/a CenturyTel	130,739
ALLTEL Missouri Service Corp.	68,422
Fidelity Telephone Co.	17,290
Grand River Mutual Telephone Corp.	11,925
Northeast Missouri Rural Telephone Co./Modern Telecommunications Co.	8,984
Chariton Valley Telephone Corp.	8,609
Cass County Telephone Co.	8,000
Kingdom Telephone Co.	5,647
Steelville Telephone Exchange, Inc.	4,900
Mark Twain Rural Telephone Co.	4,594
Citizens Telephone Co.	4,431
Mid-Missouri Telephone Co.	4,200
McDonald County Telephone	3,960
BPS Telephone Co.	3,904
Green Hills Telephone Corp.	3,872
Seneca Telephone Co.	3,460
Granby Telephone Co.	2,850
Craw-Kan Telephone Cooperative, Inc.	2,746
Ozark Telephone Co.	2,545
Ellington Telephone Co.	2,326
Goodman Telephone Co.	1,975
Rock Port Telephone Co.	1,942
KLM Telephone Co.	1,675
Le-Ru Telephone Co.	1,600
Stoutland Telephone Co.	1,592
Lathrop Telephone Co.	1,563
Oregon Farmers Mutual Telephone Co.	1,271
Iamo Telephone Co.	1,243
Miller Telephone Co.	1,150
New London Telephone Co.	1,079
CenturyTel NW Arkansas, LLC	979
Orchard Farm Telephone Co.	882
Mo-Kan Dial, Inc.	835
Choctaw Telephone Co.	639
Holway Telephone Co.	564
Peace Valley Telephone Co.	506
New Florence Telephone Co.	470
Alma Telephone Co.	380
Farber Telephone Co.	240
Iowa Telecommunication Services, Inc., d/b/a Iowa Telecom	105
	3,332,413

Source: Incumbent Local Exchange Company Access Line counts from 2002 Annual Reports

Natural Gas Utilities Statistics

Calendar Year 2002 (Missouri Jurisdictional)

Name of Company	Mcfs Sold 2002	Operating Revenues (\$)	Residential Customers	Total Customers
Aquila Networks - L&P (1)	775,547	\$ 5,472,569	5,284	6,125
Aquila Networks - MPS (2)	4,701,862	44,599,903	40,693	46,099
Atmos Energy (Associated) (3)	4,767,109	29,850,834	42,234	48,275
Atmos Energy (UC/Greeley) (4)	6,573,691	44,131,734	56,536	64,491
Fidelity Natural Gas, Inc.	243,282	742,685	1,073	1,231
Laclede Gas Company	73,215,196	531,622,516	595,812	636,215
Missouri Gas Energy (5)	55,034,880	431,139,840	438,708	502,639
Southern Missouri Gas Co., L.C. (6)	737,720	7,189,858	6,544	7,262
Union Electric Co. (7)	11,337,403	108,975,132	97,242	107,474
TOTALS:	157,386,690	\$ 1,203,725,071	1,284,126	1,419,811

Source: MoPSC FERC Form 2 2002 Annual Reports (Missouri Jurisdictional)

Intrastate Pipelines	Mcfs Delivered	Operating Revenues (\$)	Transportation Customers
Missouri Gas Co. (8)	1,866,971	2,791,080	8
Missouri Pipeline Co. (8)	11,440,307	5,516,812	4
TOTALS:	13,327,278	\$ 8,307,892	12

(1) Aquila Inc. d/b/a Aquila Networks - L&P, formerly St. Joseph Light & Power, a division of UtiliCorp United, Inc.

(2) Aquila Inc. d/b/a Aquila Networks - MPS, formerly Missouri Public Service, a division of UtiliCorp United, Inc.

(3) Associated, a division of Atmos Energy Corp.

(4) United Cities and Greeley, a division of Atmos Energy Corp.

(5) A division of Southern Union Co.

(6) Southern Missouri Gas Co., L.C., Tartan Energy Co., L.C.

(7) Union Electric Co. d/b/a AmerenUE Gas Districts

(8) A subsidiary of Gateway Pipeline Company, Inc.

Electric Utilities Statistics

Calendar Year 2002 (Missouri Jurisdictional)

Name of Company	MWhs Sold 2002	Operating Revenues 2002	Residential Customers	Total Customers
Aquila Networks - L&P (1)	1,803,121	\$ 89,051,568	56,481	63,920
Aquila Networks - MPS (2)	5,127,303	\$ 305,056,225	187,581	216,177
Citizens Electric Corporation	1,186,124	\$ 58,342,588	22,121	24,575
Empire District Electric Company	3,734,579	\$ 228,566,943	111,372	133,082
Kansas City Power & Light Co.	8,186,086	\$ 469,260,831	232,406	263,450
Union Electric Co. (3)	32,261,746	\$ 2,031,936,896	1,015,775	1,167,938
TOTALS:	52,298,959	\$ 3,182,215,051	1,625,736	1,869,142

Source: MoPSC FERC Form 1 2002 Annual Reports (Missouri Jurisdictional)

(1) Aquila, Inc. d/b/a Aquila Networks - L&P formerly St. Joseph Light & Power, a division of UtiliCorp United, Inc.

(2) Aquila Inc. d/b/a Aquila Networks formerly Missouri Public Service, a division of UtiliCorp United, Inc.

(3) Union Electric Company d/b/a AmerenUE

Steam Utilities Statistics

Calendar Year 2002 (Missouri Jurisdictional)

Name of Company	MMBtus Sold 2002	Operating Revenues 2002	Residential Customers	Total Customers
Aquila Networks - L & P (1)	1,880,123	\$ 6,649,013	0	6
Trigen-Kansas City District Energy Corp.	812,580	\$ 9,066,443	0	68
TOTALS:	2,692,703	\$ 15,715,456	0	74

Source: 2002 Annual Reports

Water Statistics

Calendar Year 2002 (Missouri Jurisdictional)

<u>Name of Company</u>	<u>Customers</u>	<u>Name of Company</u>	<u>Customers</u>
Missouri-American Water Company *	413,965	Suburban Water Company	155
Raytown Water Company	6,690	Stockton Hills Water Company	150
The Empire District Electric Company	4,515	Swiss Villa Utilities, Inc.	140
Tri State Utility Company	2,485	Missouri Utilities Company	135
U. S. Water Company	2,250	Lakeland Heights Water Company	130
The Meadows Water Company	1,085	White River Valley Water Company	130
Terre Du Lac Utilities Corporation	1,070	Riverfork Water Company	120
Ozark Shores Water Company	1,055	Rogue Creek Utilities	115
Rex Deffenderfer Enterprises	995	Kimberling City Water Company	110
AquaSource/R.U.	955	Moore Bend Water Company	105
Silverleaf Resorts	885	Midland Water Company	95
I.H. Utilities	700	Woodland Manor Water Company	85
Noel Water Company	655	L.T.A Water Company	85
Taney County Utilities Corp.	520	Evergreen Lake Water Company	80
Central Jefferson County Utility	500	Frimel Water Company	75
KMB Utility Corporation	495	Woodland Heights Utilities	70
AquaSource/C.U.	420	Gladlo Water & Sewer Company	65
Warren County Water & Sewer Company	355	Shell Knob Estates Utilities	60
Osage Water Company	350	Roy L Utilities	55
Highway H Utilities	335	Whispering Hills Water Company	55
Foxfire Utility Company	325	Franklin County Service Company	50
S.K.&M. Water & Sewer Company	290	Argyle Estates Water System	50
Camelot Utility	275	Spokane Highlands Water Company	50
Loma Linda Development Company	260	Oakbrier Water Company	50
Roark Water & Sewer Company	245	Hickory Hills Water & Sewer Company	45
South Jefferson County Utility Company	220	Lakewood Manor Limited	30
Willows Utility Company	220	Lake Region Water & Sewer Co.	25
Port Perry Service Company	215	Wilden Heights Water Company	20
Emerald Pointe Utility Company	210	Lake Northwoods Utility Company	20
Public Funding Corp. - City of Ozark	210	Bear Creek Water & Sewer Company	20
Hillcrest Utilities Company	195	Valley Woods Water Company	15
Gascony Water Company	185	Kimberling Investments, Inc.**	2
Peaceful Valley Service Company	165	Middle Fork Water Company ***	2
Franklin County Water Company	160		

* Merged company including Missouri-American Water Company, St. Louis County Water Company and Jefferson City Water Works Company

**Provides service to two commercial customers including a condominium development and a shopping center.

*** Provides wholesale service to two distribution systems.

NOTE: Compiled 9/26/03 based upon most recently available data from Water and Sewer Department files. Customer numbers rounded to the nearest "five," except for last two listings.

Sewer Statistics

Calendar Year 2002 (Missouri Jurisdictional)

<u>Name of Company</u>	<u>Customers</u>	<u>Name of Company</u>	<u>Customers</u>
AquaSource/C.U.	1,525	West 16th Street Sewer Company	135
Terre Du Lac Utilities Corporation	1,040	Port Perry Service Company	125
House Springs Sewer Company	860	Rogue Creek Utilities	110
Meramec Sewer Company	740	M.P.B. Inc.	100
Cedar Hill Utility Company	670	Missouri-American Water Company	100
Central Jefferson County Utility	500	Mill Creek Sewer Company	75
Ozark Water & Wastewater Mgmt.	415	Taney County Utilities Corporation	75
Silverleaf Resorts	390	Savannah Heights Industrial Treatment	70
Warren County Water & Sewer Company	335	Woodland Heights Utilities	70
P.C.B. Inc.	300	Franklin County Service Company	65
Village Water & Sewer	300	Gladlo Water & Sewer Company	65
Osage Water Company	285	Highway H Utilities	65
Meadows Water Company	275	WPC Sewer Company	65
Roark Water & Sewer Company	270	North Oak Sewer	60
Timber Creek Sewer Company	265	Cannon Home Association	55
KMB Utility Corporation	220	Roy L Utilities	55
South Jefferson County Utility	220	S. T. Ventures	55
Willows Utility Company	220	Shell Knob Estates Utilities, Inc.	50
Emerald Pointe Utility Company	210	Hickory Hills Water & Sewer Company	45
Hillcrest Utilities Company	195	Lake Region Water & Sewer Company	40
L.W. Sewer Corporation	195	Warren County Sewer Company	35
Foxfire Utility Company	180	Central Rivers Wastewater Utility	30
Lincoln County Utilities	175	Lake Northwoods Utility Company	20
Stoddard County Sewer Company	170	AquaSource Development Company	15
S.K.&M. Water & Sewer Company	165	Taneycomo Highlands	15
Peaceful Valley Service Company	150	TBJ Sewer Systems	15
Swiss Villa Utilities	140	Bear Creek Water & Sewer Company	10
Missouri Utilities Company	135	Valley Woods Water Company	10

NOTE: Tables compiled 9/25/03 based upon most recently available data from Water and Sewer Department files. Customers rounded to the nearest "five."

Contacting the PSC

Missouri Public Service Commission offices are located in Kansas City, Jefferson City and St. Louis. The PSC is open from 8:00-12:00 noon and 1:00-5:00 p.m., Monday through Friday, except on state holidays.

Jefferson City:

Missouri Public Service Commission

Governor Office Building

200 Madison Street

(Mailing Address: P.O. Box 360)

Jefferson City, MO 65102

Toll-free Consumer Hotline for

Complaints: (800) 392-4211

Manufactured Housing/Modular Unit

Complaints: (800) 819-3180

Other Business: (573) 751-3234

Fax: (573) 751-1847

St. Louis:

Missouri Public Service Commission

1845 Borman Court

Suite 101

St. Louis, MO 63146-4138

Telephone No.: (314) 340-4680

Fax: (314) 340-4668

Kansas City:

Missouri Public Service Commission

Fletcher Daniels Building

615 E. 13th Street, Room G8

Kansas City, MO 64106

Telephone No.: (816) 325-0100

Fax: (816) 325-0109

Web site address: <http://www.psc.mo.gov>

PSC Commissioners Past and Present

<u>Commissioner</u>	<u>Length of Service</u>	<u>Commissioner</u>	<u>Length of Service</u>
John M. Atkinson	1913-1916	Henry McKay Cary	1950-1955
William F. Woerner	1913-1914	Maurice Covert	1952-1953
John Kennish	1913-1917; 1920	Tyre W. Burton	1952-1965
Frank A. Wrightman	1913-1915	Frank Collier	1953-1954
Howard B. Shaw	1913-1917	M.J. McQueen	1954-1956
Edwin J. Bean	1914-1925	D.D. McDonald	1955-1961
Eugene McQuillin	1915-1917	William Barton	1956-1965
William G. Busby	1916-1921	Frank J. Iuen	1959-1963
David E. Blair	1917-1920	Frank W. May	1961-1967
Noah W. Simpson	1917-1923	Donal D. Guffey	1963-1968
Edward Flad	1917-1921	William R. Clark	1965-1975
John A. Kurtz	1920-1923	Charles J. Fain	1965-1977
Hugh McIndoe	1921-1923	Howard Elliot, Jr.	1967-1970
A.J. O'Reilly	1921-1925	Marvin E. Jones	1967-1973
Richard H. Musser	1923-1925	Willard D. Reine	1968-1975
Thomas J. Brown	1923-1928	James F. Mauze	1971-1975
D.E. Calfee	1925-1929	A. Robert Pierce, Jr.	1973-1977
Almon Ing	1925-1933	James P. Mulvaney	1975-1977
S.M. Hutchinson	1925-1931	Stephen B. Jones	1975-1979
J.H. Porter	1925-1933	Hugh A. Sprague	1975-1979
James P. Painter	1928-1929	Charles J. Fraas	1977-1983
Milton R. Stahl	1929-1933	Leah Brock McCartney	1977-1983
J. Fred Hull	1929-1934	Alberta Slavin	1977-1981
George H. English	1931-1936	Stephanie Bryant	1979-1981
J.C. Collet	1933-1935	Larry W. Dority	1979-1983
William Stoecker	1933-1936	John C. Shapleigh	1981-1984
W.M. Anderson	1933-1938	Charlotte Musgrave	1981-1988
Harry E. McPherson	1934-1935	Allen G. Mueller	1983-1996
Sam O. Hargus	1935-1937	Connie Hendren	1983-1989
John S. Boyer	1935-1941	James M. Fischer	1984-1989
Albert D. Nortoni	1936-1938	William D. Steinmeier	1984-1992
John A. Ferguson	1936-1944	David Rauch	1989-1993
J.D. James	1937-1942	Kenneth McClure	1990-1997
Marion S. Francis	1938-1941	Ruby Letsch-Roderique	1990-1991
Scott Wilson	1938-1941	Patricia Perkins	1991-1995
Paul Van Osdol	1941-1943	Duncan Kincheloe	1992-1997
Frederick Stueck	1941-1943	Harold Crumpton	1993-2000
Kyle Williams	1941-1952	M. Dianne Drainer	1995-2001
Charles L. Henson	1942-1959	Karl Zobrist	1996-1997
Albert Miller	1943-1944	Robert Schemenauer	1998-2001
Richard Arens	1944-1945	Sheila Lumpe	1997-2003
Agnes Mae Wilson	1943-1949	Connie Murray	1997-present
E.L. McClintock	1945-1967	Kelvin Simmons	2000-present
Morris E. Osburn	1945-1952	Steve Gaw	2001-present
John P. Randolph	1949-1951	Bryan Forbis	2001-present
		Robert Clayton III	2003-present



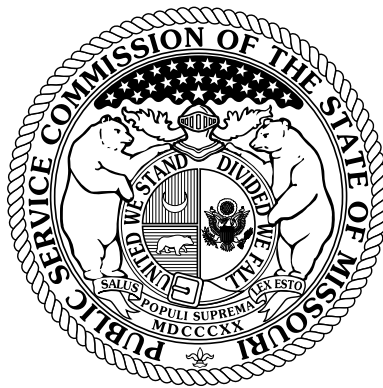
*In Memory of Bryan Forbis
August 14, 1957 - December 27, 2003*

Commissioner Bryan Forbis died in an automobile accident near Cabool, Missouri on December 27, 2003.

“We have lost a dear friend. Bryan had a great deal of energy, and his contributions to the Commission will be felt for a long time. Bryan’s goal was to find solutions and his warmth and sense of humor brought people together in a special way. He was very popular and will be missed a great deal,” PSC Chairman Steve Gaw.

Commissioner Bryan Forbis was appointed to the Public Service Commission on November 1, 2001, by Governor Bob Holden. In addition to his Commission duties, Mr. Forbis was Secretary of the Missouri Universal Service Board and a member of the National Association of Regulatory Utility Commissioners (NARUC) where he served on the Committee on Telecommunications. In February of 2003, Bryan was appointed by Governor Holden to serve on the Advisory Committee for 911 Oversight. Recently, Commissioner Forbis was appointed to the NARUC Washington Action Committee.

*Informed Consumers, Quality Utility Services,
and a Dedicated Organization
for Missourians in the 21st Century*



Missouri Public Service Commission
PO Box 360 Jefferson City, Missouri 65102
Consumer Hotline: 1-800-392-4211
Website: <http://www.psc.mo.gov>